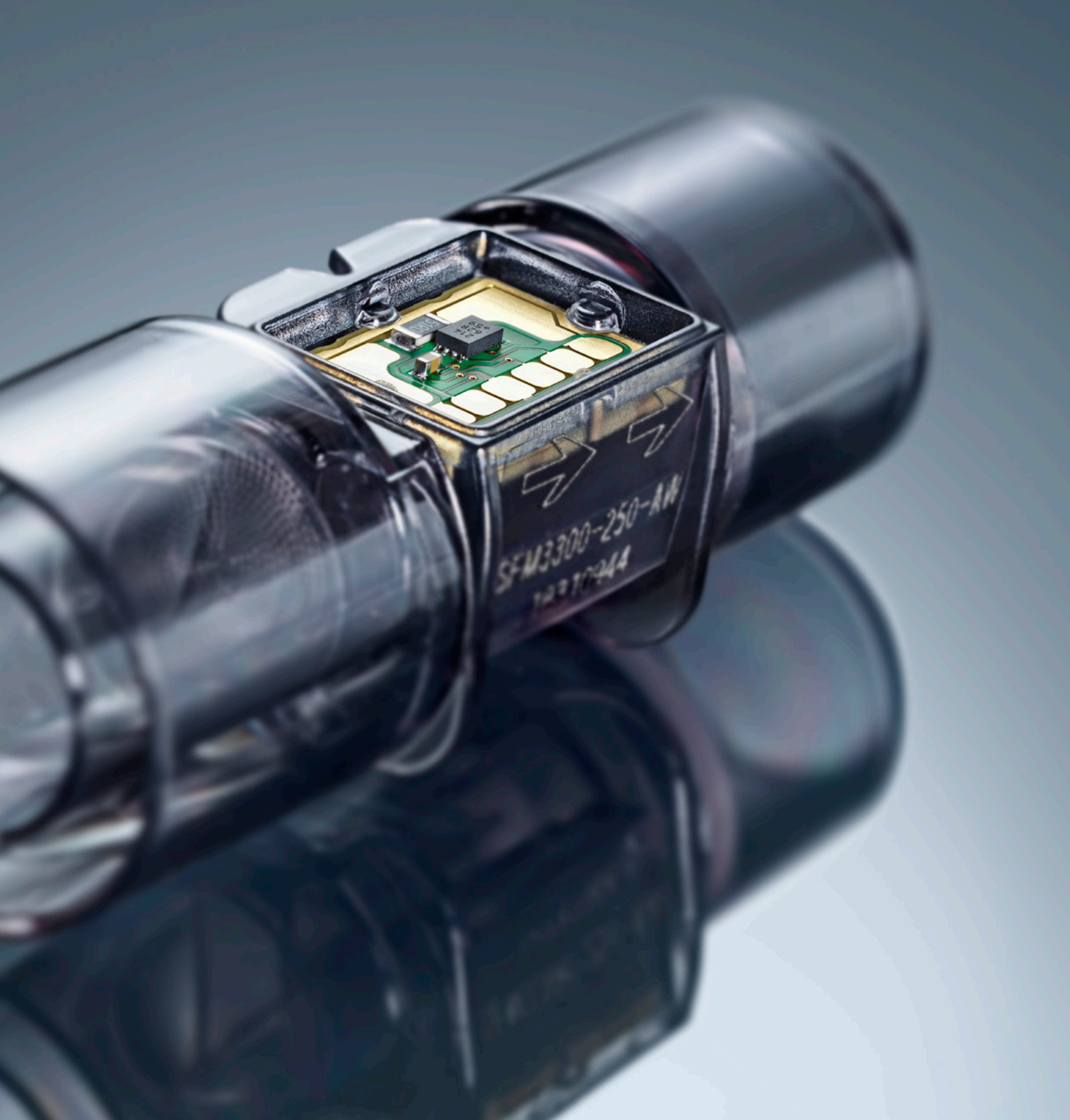

Annual Report 2018

Experts for Smart Sensor Solutions

SENSIRION
THE SENSOR COMPANY

Experts for Smart Sensor Solutions

Sensirion is a pure-play sensor company at the forefront of sensor innovation, and has demonstrated a strong track record of developing and manufacturing sophisticated and cost-effective environmental and flow sensor solutions for the automotive, medical, industrial, and consumer markets. Founded in 1998 as a spin-off company of the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Sensirion has 20 years of experience in creating best-in-class sensor solutions for a variety of demanding customer applications, including those in which the sensors perform mission-critical functions.

Sensing
Anytime
Anywhere

Particulate Matter Sensors (PM2.5 Sensors)

By accurately recognizing particle sizes and offering unique long-term stability, our sensor represents a technology breakthrough in optical particulate matter sensing.

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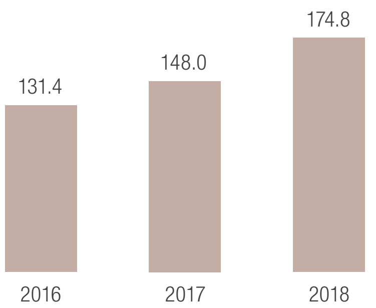
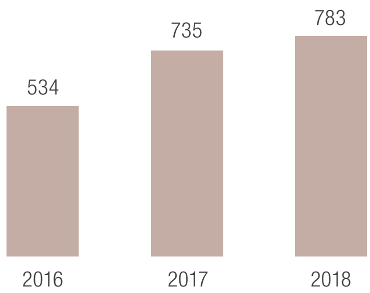
Revenue CHF 174.8 million (+18 %)
11 % organic, 6 % inorganic growth, 1 % FX effects

Adjusted EBITDA margin 16 %

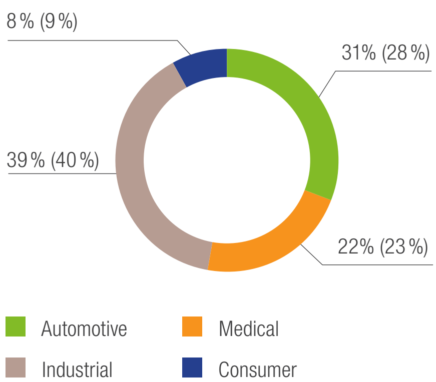
REVENUE (IN CHF MILLION)



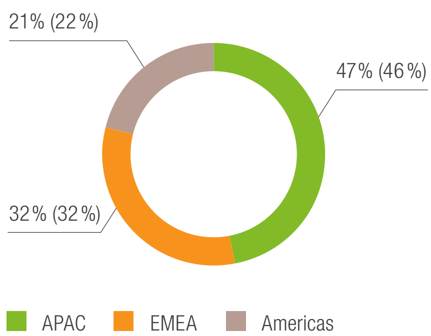
NUMBER OF EMPLOYEES (FTE) AS OF 31 DECEMBER



REVENUE BY MARKET 2018 (2017)



REVENUE BY REGION 2018 (2017)



- **Diversified revenue growth resulted from all end markets**
- **Successful launch of CO_2 and PM2.5 sensors**
- **Decisive progress in Sensirion Automotive Solutions**

Key Figures

Consolidated, in millions of CHF	31 December 2018	Δ in %	31 December 2017
Revenue	**174.8**	**18.1%**	**148.0**
Gross profit	**93.0**		**85.0**
– as % of revenue	53.2%		57.5%
Operating profit (loss)	**(4.4)**	**(219.0%)**	**3.7**
– as % of revenue	(2.5%)		2.5%
Profit (loss) for the period	**(6.4)**	**(733.8%)**	**(0.8)**
– as % of revenue	(3.7%)		(0.5%)
Earnings per share (in CHF)	**(0.45)**		**(0.07)**
EBITDA[1]	**9.2**	**(44.0%)**	**16.5**
– as % of revenue	5.3%		11.1%
Adjusted EBITDA[2]	**27.8**	**6.2%**	**26.2**
– as % of revenue	15.9%		17.7%
Cash flow from operating activities	**26.4**		**10.6**
Capital expenditures[3]	**(13.5)**		**(16.4)**
Free cash flow[4]	**22.8**		**(40.5)**
	31 December 2018		**31 December 2017**
Total assets	**214.9**		**176.1**
Total liabilities	**54.5**		**115.1**
Total equity	**160.4**		**61.0**
Net cash (Net debt)[5]	**42.6**		**(69.3)**
Number of employees (FTE)	**783**	**6.5%**	**735**

[1] Defined as profit or loss for the period excluding net interest expenses, income taxes, depreciation, and amortization.

[2] Defined as EBITDA adjusted for impairment loss in 2017; costs related to the IPO Loyalty Share Program, including social security expenses, expenses on social security relating to the gain in excess of formula value, past service credit on the defined benefit obligation in 2018; net finance costs excluding net interest expenses, share of profit or loss of equity-accounted investees, net of tax, external costs related to IPO, and acquisition-related costs or income in 2017 and 2018.

[3] Defined as the sum of acquisition of property, plant, and equipment, proceeds from sale of property, plant, and equipment, acquisition of intangible assets, and development expenditure.

[4] Defined as the sum of cash flows from operating activities and cash flows from investing activities.

[5] Defined as the sum of cash and cash equivalents less loans and borrowings less lease liabilities (current and non-current).

Marc von Waldkirch, CEO (left)
Moritz Lechner, Co-Chairman (center)
Felix Mayer, Co-Chairman (right)

Dear Shareholders

2018 was a successful year for Sensirion, with diversified revenue growth in all end markets. We achieved important milestones in the strategic development of the company: on the one hand, the successful initial public offering (IPO) in March 2018, and on the other hand, we made great progress in positioning Sensirion as a supplier of automotive sensor solutions and managed to increase our footprint in Asia. In addition, the successful launch of the carbon dioxide sensor and the particulate matter sensor significantly expands our product range in the field of environmental sensors.

Expectations Communicated at IPO Achieved

The 2018 results show that the expectations communicated at the IPO have been achieved. After a very dynamic first half, which exceeded expectations, the second half of the year resulted in lower revenue growth as expected. The reasons for this development were, on the one hand, inventory optimizations of important customers and, on the other hand, the global macroeconomic environment which noticeably slowed down in the last months. In all end markets, we currently observe uncertainty as to how the global economy will further develop.

Consolidated revenue amounted to CHF 174.8 million, +18 % compared to the previous year, of which 11 % was organic, 6 % inorganic, and 1 % due to foreign exchange effects. As a result, consolidated revenue was at the upper end of the indication given in connection with the IPO in March 2018. With a gross margin of 53 % and, after adjusting for one-off effects, an adjusted EBITDA of CHF 27.8 million (16 % of revenue), the expectations communicated at the IPO could be achieved. One-off effects, in sum CHF 18.6 million, primarily attributable to the “IPO Loyalty Share Program” and other IPO-related costs, resulted in an operating loss of CHF 4.4 million and a net loss of CHF 6.4 million for the period. Generated free cash flow was CHF 22.8 million. Together with the net proceeds from the IPO, this free cash flow yielded a net cash position of CHF 42.6 million as of 31 December 2018.

All End Markets Contributed to Revenue Growth

With growth rates of 3 % to 31 %, all four strategic markets contributed to the consolidated group revenue. Distribution of the revenues by markets (automotive 31 %, medical 22 %, industrial 39 %, consumer 8 %) and region (APAC 47 %, EMEA 32 %, Americas 21 %) remained stable compared to 2017.

In the automotive market, revenue increased by CHF 12.9 million to CHF 53.9 million (+ 31 %, of which 8 % was organic and 23 % inorganic). Organic growth mainly came from higher volumes of both humidity and gas flow sensors, which are increasingly applied in platforms of middle-class cars. Humidity sensors are mainly employed to automatically dehumidify the windshield (anti-fogging) and optimize energy consumption when controlling the climate of the car cabin. The new generation of gas flow sensors, used to measure the mass flow in the air intake of combustion engines, generated its first significant revenue, too. The acquisition of the sensor module business of Auto Industrial Company (AIC) in South Korea and China, fully consolidated from September 2017 onward, led to the inorganic growth. Sales volumes of the acquired auto-defogging, ambient temperature, and ionizer modules developed as expected. This acquisition significantly strengthens our position as a direct supplier to automotive OEMs.

Revenue in the medical market increased by 15 % to CHF 38.6 million compared to the previous year. Growth resulted primarily from volume increases of existing projects employing differential pressures sensors in therapeutic devices for sleep apnea and mass flow meters in ventilators.

The diversified industrial market, composed of the markets gas meters, home appliances, heating, ventilation, and air conditioning, as well as industrial automation, showed revenue growth of 14 % to CHF 68.6 million. Revenues through distribution sales channels from existing and various new customers developed particularly well. The first significant revenue from the air quality sensor launched in summer 2017 was achieved, also because of a larger air purifier project. Revenue from gas meters projects increased owing to an increase of market share of our technology in the Italian market.

Revenue in the consumer market amounted to CHF 13.7 million (+3 %). Revenue from sales of humidity sensors for smart home applications through distribution channels particularly increased. In addition, the new air quality sensor generated its first relevant revenue, especially through the first application in a smartphone to monitor air quality. As this project was with a niche smartphone supplier we do not expect an immediate market trend to follow from this application.

Successful Expansion of Product Portfolio through CO_2 and PM2.5 Sensors

As planned, in 2018, with the carbon dioxide sensor (CO_2 sensor) and particulate matter sensor (PM2.5 sensor), two new product lines were launched successfully and the first products introduced onto the market. Both new sensors generated a positive market reaction, the CO_2 sensor primarily in the industrial market and the PM2.5 sensor in the automotive sector, and the first revenues were achieved. Because of the inherent characteristics of the OEM business we expect steady revenue growth from these products in the upcoming years.

Decisive Progress in Sensirion Automotive Solutions

In September 2017, Sensirion acquired the sensor module business of AIC with the goals of strengthening Sensirion's market position as a supplier of automotive sensors solutions and establishing manufacturing capabilities in China and South Korea. With three manufacturing sites now in Switzerland, China, and South Korea, we have increased our flexibility to manufacture module products cost-efficiently and optimized for quality while being close to our customers. The integration of the new business division, Sensirion Automotive Solutions, is proceeding according to plan. Apart from the cultural integration of the new employees, a special focus was placed on the synchronization of the production and development processes and the quality systems between China, South Korea, and Switzerland. Both newly acquired sites in China and South Korea were successfully certified according to the newly revised automotive norm IATF 16949. After moving into a new production facility in Shanghai, manufacturing of the new product lines CO_2 and PM2.5 has successfully begun in China.

Initial Public Offering

Sensirion was successfully listed on the SIX Swiss Exchange on 22 March 2018. With the IPO, Sensirion aimed at expanding its shareholder base, including long-term committed anchor shareholders, with the goal to secure a sustainable development of the business based on an entrepreneurial spirit and targeted, long-term investments. The Founders and Co-Chairmen, Moritz Lechner and Felix Mayer, remain fully invested and committed and continue to drive the future development of Sensirion.

At the IPO, predominantly existing shares held by the majority shareholder, Gottlieb Knoch, were placed. In addition, Sensirion placed newly issued shares in order to increase the financial flexibility for its business development. The offered shares were several times oversubscribed due to strong demand from Swiss and international institutional shareholders as well as domestic private investors.

Ricarda Demarmels as New Board Member

Gottlieb Knoch resigned from the Board of Directors with effect as of the day prior to the IPO. Just a few months after its foundation, Mr. Knoch joined Sensirion as a business angel and has actively supported and loyally accompanied the development of the company for almost two decades with his extensive entrepreneurial experience. We would like to take this opportunity to sincerely thank Mr. Knoch for his many years of very valuable support, both as a major shareholder and as a member of the Board of Directors.

We are delighted to welcome Ricarda Demarmels as a new member of our Board of Directors. As former CFO of Orior AG and future CFO of the Emmi group, Ms. Demarmels brings a wealth of experience in the area of finance and controlling of listed companies.

Outlook for 2019

The global economic situation changed significantly in the second half of 2018. For the first half-year 2019, we expect weaker market demand as well as reduced visibility as a result of increasing economic and political uncertainties and further inventory corrections at customers. In line with customers' outlooks, a positive trend for the second half of this year is likely, provided geopolitical tensions do not intensify. In view of this market scenario and stable exchange rates, we expect full-year revenue to be in the range of CHF 175-190 million, a stable gross margin between 52 % and 54 %, and an adjusted EBITDA margin in the range of 15-17 %. Apart from these short-term uncertainties, Sensirion's long-term fundamentals remain strong and all innovation projects are progressing according to plan.

Many Thanks to Our Employees

On behalf of the Board of Directors and the Executive Committee, we would like to thank all our employees for their outstanding commitment. We are particularly pleased that many of our employees also support the company as shareholders. It is a matter of great importance to the Board of Directors as well as to the Executive Committee to continue cultivating and developing the extraordinary corporate culture – our so-called "SensiSpirit" – as the basis of our success. We are also proud to have hit our 20th anniversary, which we celebrated in the year under review.

Moritz Lechner Co-Chairman of the Board	Felix Mayer Co-Chairman of the Board	Marc von Waldkirch CEO

Strategy

Deepening existing customer relationships and establishing new ones

We intend to continue cultivating and strengthening long-term trusting customer relationships, as well as broadening our customer base and increasing our distribution network with leading distributors in order to expand our reach into the fragmented market for environmental and flow sensors with a view to becoming our customers' preferred supplier. In terms of new customers, our focus is on manufacturers that are leaders in their markets, either in terms of market share or innovation. To achieve this goal, we offer focused account management and support our customers in the realization of their applications. By establishing close and trusting relationships with our key customers, we improve our chances of achieving design wins which, in turn, allows us to supply our sensor products for the duration of our customers' typically long product lifecycles and enables us to participate in subsequent generations of our customers’ applications.

Expanding our sensor product and application offering

We intend to continue expanding our offering of innovative sensor products and applications, in particular by making significant investments in R&D in order to unlock new and lucrative high-growth applications. In particular, we strategically focus on the development of core technology platforms that we can leverage across multiple end markets and applications to maximize the impact of our R&D investments, increase economies of scale, as well as extract maximum customer value and grow our revenue potential. Moreover, as a result of declining component costs and production efficiencies, we can respond to customer pricing pressure and average unit price erosion with lower-priced, technologically more advanced, higher-performing products while maintaining our gross margin.

Creating new growth opportunities

We aim to continue investing in fundamental technology innovation with a view towards driving long-term market leadership by systematically exploring and evaluating new sensor technologies, applications, and market opportunities that complement our product and application offering and allow us to capture high-value growth opportunities. Specifically, we have positioned ourselves to best capture the opportunities provided by the potential emergence of a market for environmental sensors in mobile devices. In order to find new growth opportunities, we closely monitor the overall sensor market with a view to identifying market trends and evolving customer demands. Additionally, we make use of our proximity to the global and local start-up community to seek out innovative new sensor technologies and opportunistically pursue selective acquisitions of technologies, product lines, businesses, or manufacturing capacities that we believe will complement and strengthen our competitive position.

Building operational excellence to maintain resilient gross margins and enhance overall operating profits

We intend to drive growth by continuously enhancing supply chain management and manufacturing efficiencies, in particular in relation to supply chain costs, yield engineering, and maximizing the utilization of existing capacity. Our “fab-light” approach to manufacturing, under which we outsource any form of standardized and readily available manufacturing services to third-party contract manufacturers, contributes to cost-efficient manufacturing and affords us a high level of operating flexibility to be able to quickly and efficiently respond to market trends, including customer demands.

Recruiting and retaining superior talent

In order to remain innovative and agile, we aim to continue recruiting and attracting top talent. We intend to continue fostering our award-winning, entrepreneurial company culture which we believe facilitates hiring, strengthens employee retention, and contributes to creating the ideal environment for innovation.

Gas Meter Modules

Our proven microthermal technology has a track record of billions of hours of reliable field operation in gas meters.

Annual Report

Humidity and Temperature Sensors

Approximately one in three cars manufactured today includes a Sensirion sensor.

Automotive Market

In the automotive market, revenue increased by CHF 12.9 million to CHF 53.9 million, contributing 31 % to group revenue. Of this increase, 8 % was organic and 23 % inorganic.

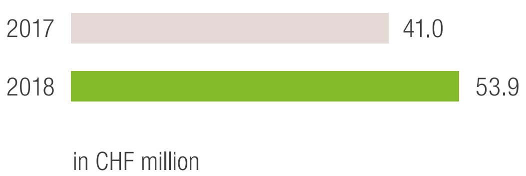
Organic growth was driven by increased volumes of humidity and gas flow sensors. Humidity sensors are mainly employed in auto-defogging and climate control applications, while gas flow sensors are employed in the air intake of combustion engines. In either case, the goal is to optimize energy consumption or increase passenger comfort. These applications originated in upper-class models and have now reached middle-class models through a “trickle-down effect” based on increased cost-effectiveness of new product generations. In 2017, many OEMs and Tier I suppliers switched from the first generation of humidity sensors to the second or third ones. The corresponding projects went through a volume ramp-up in 2018, which yielded revenue growth as price reductions were overcompensated. Revenues also increased as a result of higher sales volumes of our second generation of gas flow sensor components.

Inorganic growth stemmed from the acquisition of the sensor business of Auto Industrial Company (AIC), which was completed in September 2017. The revenues came from auto-defogging, ambient temperature, and ionizer modules for the South Korean and Chinese markets. The integration of the Seoul and Shanghai sites proceeded as planned in 2018, with the main focus being on the synchronization of production and quality systems between these sites and Switzerland, as well as on the cultural integration of the new employees. Projects relating to the acquired ionizer, ambient temperature, and anti-fogging products achieved their expected volumes. As planned, in 2018 we began to work on successor products in order to achieve broader market penetration. The acquisition significantly strengthens our position as a direct supplier to automotive OEMs. However, because of the long duration of automotive projects, newly generated revenues could not yet be realized.

In order to be successful in the automotive market, customer proximity and product reliability are crucial. To that end, our automotive products are qualified according to the stringent requirements of the Automotive Electronics Council AEC-Q100, and our manufacturing sites are certified according to the international standard IATF 16949.

Applications of our sensors in the automotive industry are primarily motivated by the trend to increase energy efficiency, as well as improving comfort and quality of life. We expect the shift to hybrid and electric vehicles to benefit us. Whereas saving fuel through optimized control of the air conditioning unit is valuable for a combustion-engine car, it is crucial in the case of an electric vehicle because saved energy directly translates into increased range. This should lead to increased demand for sensors in climate control and auto-defogging applications. On the other hand, even though electric vehicles will not require mass air flow sensors for the air intake of the engine, corresponding gas flow sensor projects are still growing, and we believe that combustion engines will continue to be applied for a long time to come.

REVENUE DEVELOPMENT



+ 31 %

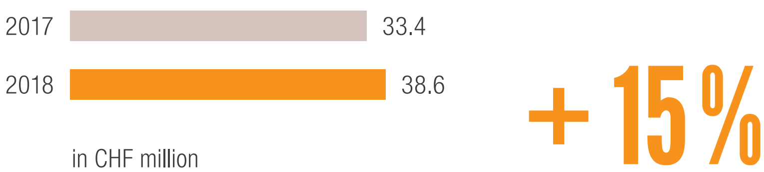
Medical Market

In the medical market, generated revenue amounted to CHF 38.6 million, which corresponds to a growth of 15 % compared to the previous year and a contribution of 22 % to overall group revenue.

Our sensor solutions are mainly integrated in continuous positive airway pressure (CPAP) home care devices to treat sleep apnea, as well as in hospital devices such as ventilators and devices used in anesthesiology. CPAP therapeutic devices and ventilators employ gas flow and partial humidity sensors to control and maintain the correct air flow into the patient. In anesthesia devices, mass flow meters play a mission-critical role to correctly dose the applied amount of anesthetic agent. Revenue growth resulted mainly from increased sales volumes for CPAP devices, ventilators, and partially anesthesia devices. We supply to the most important CPAP device manufacturers worldwide, which results in us enjoying a very high market share.

Overall, we see a trend of increased real-time monitoring of gases and liquids which enter or exit the patient, for instance in respiratory applications. We believe that our highly capable sensor solutions are well suited to meet these demands in the future.

REVENUE DEVELOPMENT



Mass Flow Meters

Millions of patients rely on our flow sensor solutions that support life-sustaining functions.

Differential Pressure Sensors

Our sensors reduce energy consumption in countless family homes, industrial facilities, and entire building complexes.

Industrial Market

In the industrial market, revenue increased by CHF 8.3 million to CHF 68.6 million, which corresponds to a 14 % increase compared to the previous year and 39 % of total revenue. Growth was mainly driven by increased demand through our distribution sales channels and market share gains of one of our main gas meter customers.

Sales through distribution channels showed strong growth, primarily in Asia Pacific and the Americas, and to a lesser degree in the EMEA region. A big portion of the increased revenue stemmed from larger shipments of humidity sensors and gas flow components. Sales through our distribution network of the new products to measure air quality, carbon dioxide, and particulate matter contributed their first revenues as well.

In the appliances market, which includes applications such as employing humidity sensors in refrigerators or air conditioners to optimize energy, a major manufacturer of air purifiers started to integrate our air quality sensor in their products in addition to the humidity sensor. This allows the air purifier to more efficiently purify the air when needed and indicate the status of the air quality to the end user. This is an example of how we can leverage our existing customer relationships based on the humidity sensor to introduce our new environmental sensors (air quality, CO_2, PM2.5) through cross-selling.

In the area of heating, ventilation, and air-conditioning, revenue growth mainly resulted from ramping up customer projects that rely on differential pressure sensors to optimize ventilation through the variable-air volume approach. Improved ventilation and temperature control lead to increased energy efficiency and comfort. Humidity sensors also experienced stronger demand for building automation applications.

In the hard disk market, sales of humidity sensors generated higher than expected revenue. However, as the data-storing industry is shifting towards flash-based storage technology, we expect declining demand in this area in the future.

The switch to smart gas meters offers an opportunity for Sensirion to introduce our gas meter solution. Smart gas meters, which are used by energy utilities in commercial and residential settings to bill the building owner or end user, include a communication module and thus a battery. With the battery present, other technologies than the traditional purely mechanical one become feasible. Our microthermal gas metering technology was incorporated by a major customer in Italy, who is gaining market share from year to year.

REVENUE DEVELOPMENT

+ 14 %

Consumer Market

Revenue in the consumer market increased from CHF 13.3 million in 2017 to CHF 13.7 million (3 % growth year-over-year), amounting to 8 % of group revenue. Revenue growth was driven by increased sales of humidity and air quality sensors through our distribution network, primarily in China and the United States.

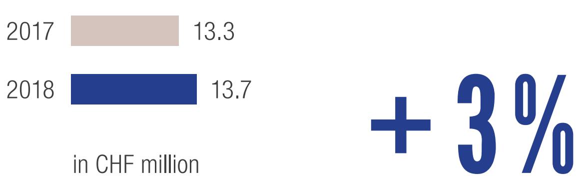
Applications of our sensor solutions in the consumer market are focused around improving energy efficiency and enhancing air quality and comfort through smart home or internet-of-things devices, which are driven by increased connectivity to the internet and other devices. Examples include baby cameras and smart thermostats.

Innovation in the smart home market is primarily driven by start-ups as well as small and medium-sized enterprises. This renders sales through the distribution network especially important in the consumer market, because distribution channels can optimally address these types of customers.

A special characteristic of the consumer market is its ecosystem. Both for non-smartphone and smartphone applications, the large chipset manufacturers play a significant role since they design and distribute chipset reference boards, which often include environmental sensors. These reference designs set trends and define de facto standards. In 2018 we made good progress in supplying sensors to as many reference board manufacturers as possible through our Palo Alto office, by setting up and leveraging important relationships in order to eventually enable applications of our sensor solutions in consumer devices.

In terms of smartphones, we were able to supply our air quality sensor to a niche smartphone manufacturer whose handset is targeted at construction workers to provide early warning of the presence of harmful gases. Even though we assume that this smartphone will not set an overall trend of incorporating air quality sensors in mobile phones, we were able to demonstrate the feasibility of measuring air quality in a commercially available smartphone.

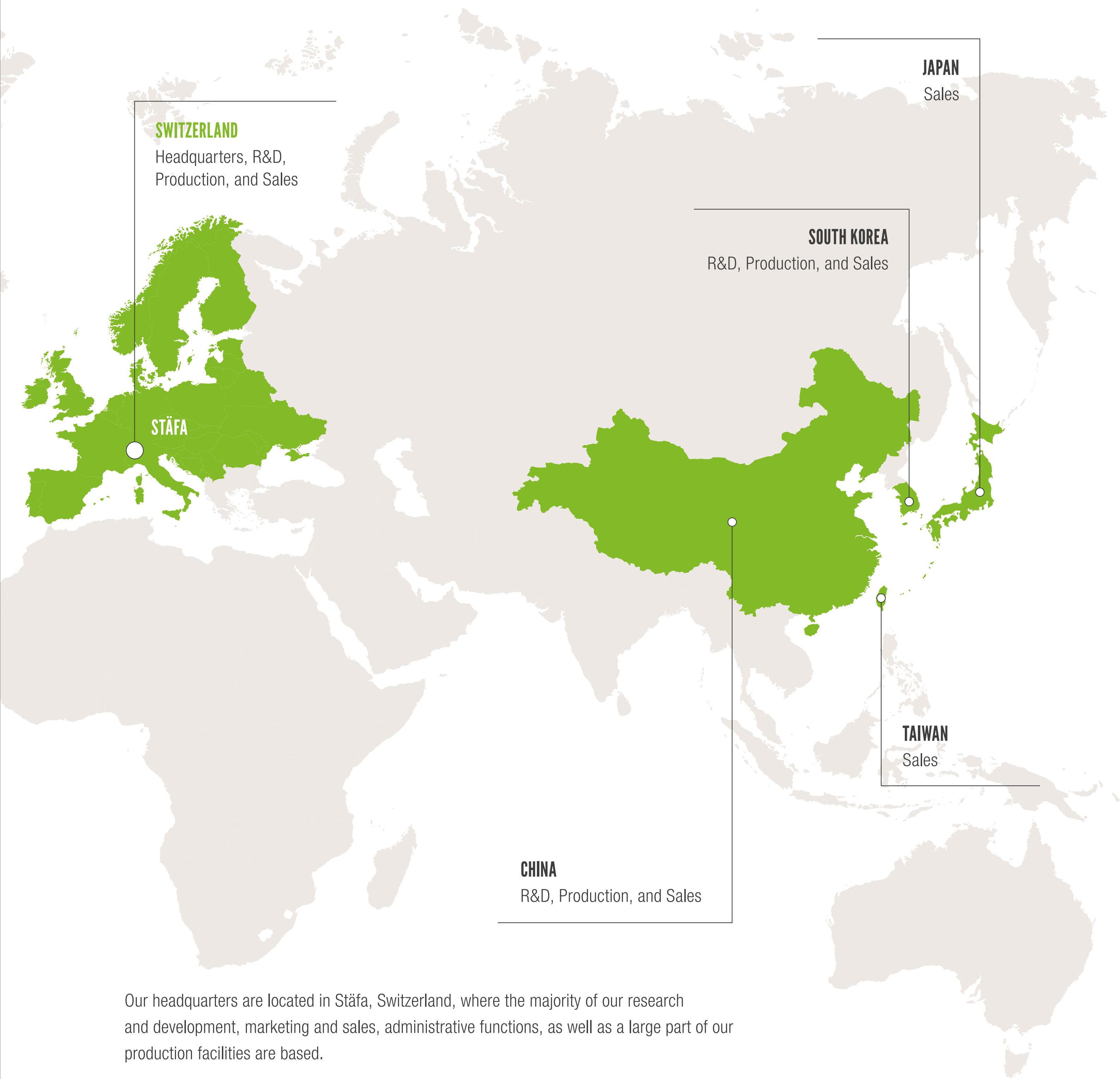
REVENUE DEVELOPMENT



Multi-Pixel Gas Sensors

Millions of our gas sensors help to monitor and improve indoor air quality.

Sensirion Worldwide
Our Branches and Sales Offices



Our headquarters are located in Stäfa, Switzerland, where the majority of our research and development, marketing and sales, administrative functions, as well as a large part of our production facilities are based.

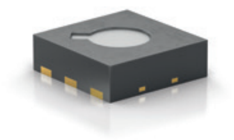
Furthermore, we have production facilities and research and development activities in China and South Korea, as well as sales and customer support offices in China, Japan, South Korea, Taiwan, and the US.

Environmental Sensors

Our environmental sensor products provide detailed and reliable data on key environmental parameters. We offer sensor solutions for the measurement of humidity, temperature, volatile organic compounds, particulate matter, and carbon dioxide.

Temperature and combined humidity & temperature sensors

We offer a range of temperature sensors as well as combined humidity and temperature sensors. The combined humidity and temperature sensors form a single unit linking the sensor elements with analog and digital signal processing circuitry on a miniscule surface area. The combination of all elements onto one microchip enables an accurate and point-precise determination of the dew point without incurring errors due to temperature gradients between the humidity and the temperature sensors. Depending on the requirements for the relevant customer application, our customers can choose between temperature as well as combined humidity and temperature sensors with varying specifications, such as level of accuracy, power supply range, package size, and cost. Both our temperature and combined humidity and temperature sensors can be exposed to condensation or even completely immersed in liquid without damaging their functional capabilities.



Multi-pixel metal oxide gas sensors

Based on Sensirion's innovative MOXSens® Technology, the SGP multi-pixel gas sensor platform offers a unique combination of long-term stability and multi-pixel technology that opens up new possibilities for environmental monitoring. The sensor is designed to withstand siloxanes, which are ubiquitous due to their widespread use across many industries, for example in cosmetic products, food, soaps, or as additives to plastics. Siloxanes cause irreversible damage to the metal-oxide sensing elements, leading to a loss of sensitivity and measurement instability. Our multi-pixel metal oxide gas sensors are capable of measuring the total volatile organic compounds (VOC) present in the air by integrating four gas sensing elements onto one microchip featuring a fully calibrated air quality output signal. VOCs include a wide range of chemical compounds that originate from a number of different sources, such as building materials, solvents, cleaning agents, furniture paints, or human occupants, and can have detrimental health effects after prolonged exposure, in particular when they occur in insulated buildings that prevent air exchange.

Particulate matter sensors (PM2.5 sensors)

Sensirion's SPS30 particulate matter (PM) sensor is the next technological breakthrough in optical PM sensors. Its measurement principle is based on laser scattering and makes use of Sensirion's innovative contamination-resistance technology. This technology, together with high-quality and long-lasting components, enables accurate measurements from its first operation and throughout its lifetime. In addition, Sensirion's advanced algorithms provide superior accuracy for different PM types and higher-resolution particle size binning, opening up new possibilities for the detection of different types of environmental dust and other particles.

Carbon dioxide sensors (CO_2 sensors)

The SCD30 makes use of Sensirion's CMOSens® Technology for infrared detection, which enables highly accurate CO_2 measurements at a competitive price. Along with the non-dispersive infrared measurement technology for CO_2 detection, a best-in-class Sensirion humidity and temperature sensor is integrated into the same sensor module. Ambient humidity and temperature is output by Sensirion's algorithm expertise through modeling and compensation of external heat sources without requiring any additional components. Thanks to the dual-channel principle for the measurement of CO_2 concentration, the sensor compensates for long-term drifts automatically by design.

Flow Sensors

Our flow sensor solutions provide a reliable and cost-efficient method to measure gas and liquid flows. We offer mass flow meters as well as mass flow controllers for gases, gas meter modules, differential pressure sensors, and liquid flow meters for the automotive, medical, and industrial markets.

Gas meter modules

Gas flow is generally more difficult to measure than liquid flow because the volume measured is highly affected by temperature and pressure. We offer innovative and durable microthermal gas meter modules which enable reliable monitoring of gas consumption in real time for residential and industrial gas metering applications. Our gas meter modules have very low power consumption, are noiseless, and avoid wear due to their lack of mechanical parts. Our gas meter modules have been successfully embedded in gas meters that subsequently passed stringent tests required for the certification of gas meters, including those related to dust resistance.

Differential pressure sensors

We offer differential pressure sensors for gases, which are fully calibrated and temperature compensated to offer the highest accuracy when it comes to measuring standard volume flow or mass flow, especially at very low differential pressures. In case of a pressure difference, a tiny gas flow, limited by a small restrictor, passes through the flow channel and is measured by the sensor microchip. The pressure connectors in the differential pressure sensors can be connected to up to two different air or gas volumes.

Liquid flow meters

Sensirion's liquid flow meters are able to measure low liquid flow rates, liquid handling, and liquid dispensing. For instance, a single drop of liquid contains approximately 12.5 microliters. Our liquid flow meters are sufficiently sensitive to measure mass flows inside the channel in nanoliters, microliters, or milliliters per minute with the highest accuracy. We offer battery-operated options for some of our liquid flow meters as well as disposable versions for applications in the medical market.

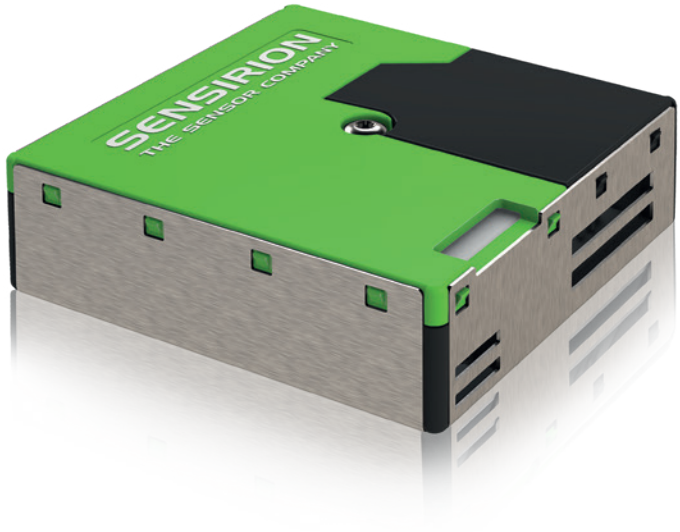
Mass flow meters

Our mass flow meters for gases ensure fast, accurate, and cost-efficient measurement of the flow of air, oxygen, and other non-aggressive gases over a wide dynamic range and are largely free from zero-point drift. Mass flow meters vary in flow range, working pressure, and interface (digital or analog) and are designed for a variety of applications. The mass flow is determined using the thermal measurement principle. Some of our mass flow meters are available as autoclavable and disposable versions for expiratory and proximal applications in the medical market.

Mass flow controllers

We offer mass flow controllers for gases, which are able to measure and control the flow of gases. The gas flow is measured based on the thermal measurement principle, while an efficient analog controlling circuit controls the gas flow.

Innovation



With our SPS30 particulate matter (PM) sensor, Sensirion has introduced several key innovations to the market. A traditional PM sensor is very susceptible to output drift due to the accumulation of dust on the crucial optical parts of the device, namely the laser, the photodiode, and the beam dump (used to absorb the laser light and avoid parasitic scattering). Based on twenty years of experience in flow sensor design for several demanding markets and applications (e.g. automotive, medical, industrial, and smart energy), we have developed and integrated into the SPS30 an innovative and proprietary flow path technology that prevents dust and dirt accumulating on the optical components.

Thanks to this contamination-resistance technology, the sensor offers a unique long-term stability, thus enabling accurate measurements throughout its lifetime of more than eight years. Furthermore, most low-cost PM sensors on the market assume a constant mass density in calibration and calculate the mass concentration by multiplying the detected particle count by this mass density. This assumption only works if the sensor measures a single particle type (for instance, tobacco smoke), but in reality there are many different particle types with many different optical properties in everyday life, from “heavy” house dust to “light” combustion particles.

Sensirion’s proprietary algorithms use an advanced approach that allows a proper estimation of the mass concentration, regardless of the particle type measured. In addition, such an approach enables a correct estimation of the size bins. The increased accuracy for different aerosols and particle size binning allows users to develop new use cases based on particle composition recognition.

Sustainability

Since its foundation in 1998, Sensirion has strived to make an active contribution to improving health, safety, and energy efficiency. The development of new and innovative products is at the core of our business and it goes without saying that sustainability means far more to us than simply complying with legislation.

Environment, health and safety

We aim to use resources sustainably and sparingly when developing and producing our products, and we do everything possible to avoid making a negative impact on nature and the environment. Our production facility in Switzerland is certified under the environmental standard ISO 14001. Furthermore, hazardous substances in our products are reduced to a minimum.

As a company, we actively drive improvements. Sensirion AG is a member of the Responsible Business Alliance (RBA, formerly EICC) and is thus committed to continual improvements in labor law, occupational safety, environmental protection, and ethics. Sensirion AG regularly audits its suppliers to ensure that they also comply with the RBA code.

Occupational safety and health protection are vital for employee motivation and product quality. Sensirion takes all necessary technical, organizational, and individual measures to minimize risks at our workplaces as far as possible. All our employees are trained in occupational safety and emergency procedures.

Our employees

Our employees are a key part of our success story. Therefore, we constantly strive to offer them the best possible conditions for personal and professional development. Their knowledge, experience, motivation, and willingness to change are unique and reflected in our corporate culture. Only by working together can we make a difference. This is reflected in our corporate culture by flat hierarchies, quick decision-making processes, and numerous employee-organized social events.

We maintain the highest standards of business integrity. Corruption, whether active or passive, is not tolerated. We respect our employees' contribution to our innovative products and insist that our intellectual property is respected. To this end, we encourage employees to report faults and abuses. We also meet the stipulations of the Conflict Mineral Act.

Employees and Culture

Sensirion's success is based on our unique culture and people. Attracting the best talent at all times is one of the prerequisites for being innovative. Of our employees, one in two holds a university degree and around one in five of the entire workforce has a doctorate degree. When selecting applicants, we focus not only on expertise but especially on the person too. We are looking for team-oriented and cosmopolitan talents who identify with our values of "top performance", "fair and honest", and "work together", and display these qualities on a daily basis.

For personal and professional training, Sensirion offers various training and further education programs. In addition to expert knowledge, these programs promote a pioneering spirit, initiative, and a willingness to assume responsibility. Sensirion also promotes the dual educational system, which combines apprenticeships with vocational education.

We are proud of our employees and our values. To give this unique corporate culture a face, we want our employees to speak for themselves.

"I find it exciting that every day at Sensirion I learn what today's technology is capable of and what it will bring in the future. I also appreciate my clean and air-conditioned workplace. The friendly interaction between colleagues and superiors always motivates me to do my best."

Thuy Tran, Operator
Sensirion AG, Switzerland

"In the 'Sensor Innovation' department, we evaluate market opportunities and new sensor technologies that could ideally complement our product portfolio. In this exciting job, I really appreciate working with highly motivated colleagues across departments. The will to achieve common goals that go beyond our own horizons reflects our corporate culture. You can feel that everyone is highly motivated to get fully involved, both in projects and on social occasions."

Felix Hoehne, Director Sensor Innovation
Sensirion AG, Switzerland

"I perceive our corporate culture everywhere at Sensirion. Thanks to our unique culture, I have a good mood and high energy during my work. The motto 'fair and honest' enables simple and efficient communication worldwide. In general, our corporate culture motivates me to deliver the best possible performance."

Fang Fen, Sales Manager
Sensirion China Co. Ltd., China

"Our corporate culture means that we work passionately and act as a team without national or hierarchical limitations. The spirit is always tangible and enables open and constructive discussions. This allows us to promote our products and services with confidence, which motivates us to develop new business relationships."

Seto Naoyuki, General Manager
Sensirion Japan Co. Ltd., Japan

"The distinctive spirit of innovation and the high-tech environment at Sensirion motivate me every day in my work. Thanks to the flat hierarchies and the helpful as well as competent colleagues, new ideas can develop into pre-experiments, which are quickly evaluated. I appreciate this joint solution-finding in the sense of 'work together', because so much can be moved and achieved."

Pernilla Andersson, R&D Environmental Sensors
Sensirion AG, Switzerland

"I really appreciate that I have the chance to help and support people by creating new processes and implementing new systems and company standards. Our company values of 'fair and honest', 'work together' and 'top performance' are not only important for my daily business, but have become part of my life. Whenever I have a different opinion than others, I can openly express my point of view at Sensirion and people are always willing to hear me out."

Inyoung Jun, Finance & HR Manager
Sensirion Automotive Solutions Co. Ltd., South Korea

"At Sensirion you don't just work, you achieve something together. I feel our corporate culture (internally known as 'SensiSpirit') most when classic hierarchies merge and individuals search for professional solutions at a meeting or have fun together in a relaxed atmosphere at a social event. I know that some other companies also have a great corporate culture, but the fact that our corporate culture is given its own name and is actually lived demonstrates its importance impressively."

Emanuel Frey, Purchasing Manager
Sensirion AG, Switzerland

Corporate Governance

This report on corporate governance describes Sensirion's principles of management and control at the highest corporate level of Sensirion in accordance with the Directive on Information relating to Corporate Governance of SIX Exchange Regulation (DCG). Unless stated otherwise, the information in this report is provided as of 31 December 2018.

Sensirion's corporate governance largely follows the guidelines and recommendations set out in the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse in July 2002, as amended in 2007, 2014, and 2016 (the "Swiss Code"). Sensirion has made some adjustments and simplifications to suit its management and shareholder structure.

Sensirion's principles and rules of corporate governance are set forth in its Articles of Association, its Organizational Regulations (including committee charters), and its Regulations on the Registration of Shareholders in the Share Register and the Maintenance of the Share Register ("Share Register Regulations"), which are all available on our website (https://www.sensirion.com/articles-of-association-internal-regulations). The Nomination and Compensation Committee of the Board of Directors of Sensirion Holding AG regularly reviews Sensirion's corporate governance framework and ensures compliance with corporate governance requirements.

Group Structure and Shareholders

Group structure

Sensirion Holding AG (or the "Company") is a stock corporation organized under the laws of Switzerland which was incorporated on 7 October 1998 and is registered in the commercial register of the Canton of Zurich under the register number CHE-104.836.469 (LEI: 894500ANJ9YNE8YCTT04). Its registered address is at Laubisrütistrasse 50, 8172 Stäfa, Switzerland. The shares of Sensirion Holding AG have been listed on the SIX Swiss Exchange since the Company's initial public offering ("IPO") on 22 March 2018 (ISIN CH0406705126, Swiss Security Number 40670512).

The Sensirion Group ("Sensirion" or the "Group") consists of Sensirion Holding AG and its consolidated subsidiaries, which are listed in the Consolidated Financial Statements on page 77.

Sensirion operates as a single operating and reporting segment that encompasses the development, production, sale, and servicing of sensor systems, modules, and components. This structure is described in more detail in the segment information in the Consolidated Financial Statements on pages 87 and 88.

Significant shareholders

As of 31 December 2018, the following shareholders or group of shareholders have reported to Sensirion Holding AG holding 3 % or more of the voting rights in Sensirion Holding AG:

Direct holder	% of voting rights
Moritz Lechner, Uerikon, Switzerland; Felix Mayer, Stäfa, Switzerland; Fondation des Fondateurs, Zurich, Switzerland; 7-Industries Holding B.V., Amsterdam, Netherlands; EGS Beteiligungen AG, Zurich, Switzerland; Sensirion Holding AG, Stäfa, Switzerland[1]	34.7 %
Gottlieb Knoch, Zug, Switzerland	5.1 %
T. Rowe Price Associates, Inc., Baltimore, United States	3.8 %
Davent Holding AG, Zug, Switzerland[2]	3.7 %

[1] The beneficial owner of 7-Industries Holding B.V. is Mrs. Ruthi Wertheimer, Herzliya, Israel. The beneficial owner of EGS Beteiligungen AG, Zurich, Switzerland, is the Ernst Göhner Stiftung, Zug, Switzerland. The shareholders act in concert within the meaning of article 121 FMIA by virtue of a shareholders' agreement, as a result of which they, together with the Company, act in concert. Moritz Lechner, Felix Mayer, Fondation des Fondatuers, 7-Industries Holding B.V., and EGS Beteiligungen AG together hold 33.2 % of the voting rights. Percentages are based on the shareholdings known by the Company as of 31 December 2018 (which deviate from the notification made on 18 December 2018).

[2] The beneficial owner of Davent Holding AG is Dr. Thomas Knecht, Zug, Switzerland.

Dr. Moritz Lechner, Dr. Felix Mayer (together the "Founders"), Fondation des Fondateurs, 7-Industries Holding B.V., and EGS Beteiligungen AG (together the "Anchor Shareholders") have entered into a shareholders' agreement to govern their rights and obligations as shareholders and/or members of the Board of Directors of Sensirion Holding AG. According to the shareholders' agreement, the Anchor Shareholders can propose a majority of the candidates nominated for election to the Board of Directors and one of these candidates as Chairman (or two as Co-Chairmen) of the Board of Directors. In addition, each Founder has the right to be (re-)elected by the Anchor Shareholders as member and as Co-Chairman of the Board of Directors. Further, the Anchor Shareholders have also entered into voting undertakings with regard to shareholder resolutions requiring a qualified majority. With respect to the disposal of shares, the Anchor Shareholders have granted each other (and, failing them, Sensirion Holding AG) a right of first refusal and a right of first offer. Finally, the Anchor Shareholders have undertaken that they will only sell all their shares (as long as they hold more than 25 % but less than 33⅓ % of the Company's voting rights), or shares corresponding to 33⅓ % or more of the Company's voting rights to a third party if such third party agrees to launch a public tender offer for all publicly held shares of Sensirion Holding AG for a consideration not lower than the consideration promised to the selling Anchor Shareholders.

In addition, all members of the Board of Directors and of the Executive Committee as well as Fondation des Fondateurs agreed vis-à-vis the managers in connection with the IPO to be bound by a lock-up undertaking until 22 March 2019 for their Sensirion shares and other purchase positions representing in the aggregate 13.0 % of the voting rights. Further, 598 employees of the Group (including the members of the Executive Committee) have agreed with Sensirion Holding AG on a lock-up undertaking until 22 March 2019 for their Sensirion shares and other purchase positions representing in the aggregate 10.8 % of the voting rights.

The announcements related to the disclosure notifications made by shareholders during 2018 can be found via the search facility on the platform of the Disclosure Office of the SIX Swiss Exchange: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. For purposes of this section, percentages are based on the issued share capital of Sensirion Holding AG recorded in the commercial register as of 31 December 2018.

Cross shareholdings

The Group has no cross-shareholdings that exceed 5 % of the holdings of capital or voting rights on both sides.

Capital Structure

Capital

As of 31 December 2018, the share capital of Sensirion Holding AG amounts to CHF 1,514,017.20, divided into 15,140,172 fully paid-in registered shares with a par value of CHF 0.10 each. In addition, Sensirion Holding AG has authorized share capital in the amount of CHF 145,581.70 (corresponding to 9.6 % of the share capital). The remaining authorized share capital in the amount of CHF 10,736.30 to underlie the overallotment option in connection with the IPO expired on 15 December 2018. Further, Sensirion Holding AG has conditional share capital for employee participations in the amount of CHF 145,581.70 (corresponding to 9.6 % of the share capital); conditional share capital for financing, acquisitions, and other purposes in the amount of CHF 145,581.70 (corresponding to 9.6 % of the share capital); and conditional share capital for employee participations in connection with the IPO in the amount of CHF 56,061.70 (corresponding to 3.7 % of the share capital). The following table summarizes the capital structure of Sensirion Holding AG.

Share capital

As per 31 December 2018	% of capital	Shares	In CHF
Share capital	100.0 %	15,140,172	1,514,017.20
Authorized share capital[1]	9.6 %	1,455,817	145,581.70
Conditional share capital			
Reserved for employee participation plans	9.6 %	1,455,817	145,581.70
Reserved for financing, acquisitions, and other purposes	9.6 %	1,455,817	145,581.70
Reserved for employee participation plans in connection with the IPO	3.7 %	560,617	56,061.70

[1] Expiring on 8 March 2020

Authorized capital

The annual general meeting of shareholders of Sensirion Holding AG (the "Annual General Meeting") resolved on 8 March 2018, among other things, to create authorized share capital and authorized the Board of Directors to increase the share capital any time until 8 March 2020 by a maximum amount of CHF 145,581.70 by issuing a maximum of 1,455,817 fully paid-in registered shares with a par value of CHF 0.10 each (see Article 3a of the Articles of Association). Increases in partial amounts are allowed. The subscription and acquisition of the new shares as well as any subsequent transfer of the shares is subject to the restrictions set out in the Articles of Association (see "Limitations on Transferability and Nominee Registrations" on pages 34 and 35). The Board of Directors determines the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights, and the beginning date for dividend entitlement. It may issue new shares by means of a firm underwriting with a subsequent offer to the existing shareholders or, if pre-emptive rights have been excluded or not duly exercised, to third parties. The Board of Directors may permit, restrict, or exclude the trade with pre-emptive rights. It may permit the expiration of unexercised pre-emptive rights, or it may place such rights or the respective shares at market conditions or may use them otherwise in the interest of Sensirion Holding AG. Further, the Board of Directors is authorized to restrict or exclude pre-emptive rights of existing shareholders and allocate such rights to third parties or the Group for the acquisition of companies, part(s) of companies or participations, for the acquisition of products, intellectual property or licenses by or for investment projects of the Group, or for the financing or refinancing of any of such transactions through a placement of shares.

Conditional capital

In addition, the Annual General Meeting resolved on 8 March 2018 to create three categories of conditional capital. First, the share capital of Sensirion Holding AG may be increased by an amount not to exceed CHF 145,581.70 by issuing up to 1,455,817 fully paid-in registered shares with a par value of CHF 0.10 per share through the direct or indirect issuance of shares, options, or related subscription rights to members of the Board of Directors, members of the Executive Committee, or employees of the Group (see Article 3b of the Articles of Association). The pre-emptive rights and advance subscription rights of existing shareholders are excluded. Shares, options, or related subscription rights are issued pursuant to regulations to be issued by the Board of Directors and taking into account the compensation principles pursuant to the Articles of Association. Shares or subscription rights may be issued to employees at a price lower than the respective market price quoted on the stock exchange.

Second, the share capital may be increased by an amount not to exceed CHF 145,581.70 by issuing up to 1,455,817 fully paid-in registered shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant, or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants, or other securities or contractual obligations of Sensirion Holding AG or a Group company. The pre-emptive rights of existing shareholders are excluded upon the exercise of any such financial instruments in connection with the issuance of shares. The then-current owners of such financial instruments are entitled to acquire the new shares issued upon exercise. The Board of Directors is authorized to restrict or withdraw advance subscription rights of existing shareholders in connection with the issuance of financial instruments if the issuance is for purposes of financing or refinancing the acquisition of companies, parts of a company, participations, or investments. If the advance subscription rights are not granted, then the financial instruments must be issued at market conditions, the exercise price must be set with reference to the prevailing market conditions, and the maximum exercise period is 10 years.

Third, the share capital may be increased by an amount not to exceed CHF 56,061.70 by issuing up to 560,617 fully paid-in registered shares with a par value of CHF 0.10 per share through the direct or indirect issuance of shares, options, or related subscription rights to members of the Board of Directors, members of the Executive Committee, or employees of the Group pursuant to the IPO Loyalty Share Program of Sensirion Holding AG. The pre-emptive rights and advance subscription rights of existing shareholders are excluded. Shares or subscription rights may be issued to employees at par value.

The subscription and acquisition of the new shares under any conditional capital as well as any subsequent transfer of the shares is subject to the restrictions set out in the Articles of Association (see “Limitations on Transferability and Nominee Registrations” on pages 34 and 35).

Changes in capital

On 31 December 2017, the share capital of Sensirion Holding AG amounted to CHF 1,149,250, divided into 5,595 registered shares with a par value of CHF 100 each and 58,975 registered shares with a par value of CHF 10 each (shares with preferential voting rights; *Stimmrechtsaktien*). In addition, the Company had a participation capital of CHF 96,567.20, divided into 965,672 registered participation certificates (*Namenpartizipationsscheine*) with a par value of CHF 0.10 each. In the two preceding financial years 2016 and 2015, neither the share capital nor the participation capital of Sensirion Holding AG had been changed.

In preparation of the IPO of Sensirion Holding AG, the Annual General Meeting resolved on 8 March 2018 to (a) increase the share capital by up to CHF 210,000 to source the new shares to be offered in the IPO, (b) split each existing registered share with a par value of CHF 100 each into 1,000 registered shares with a par value of CHF 0.10 each and each existing registered share with a par value of CHF 10 each into 100 registered shares with a par value of CHF 0.10 each, (c) convert its existing participation capital into share capital by converting each existing registered participation certificate with a par value of CHF 0.10 each into one registered share with a par value of CHF 0.10 each, (d) create the authorized share capital and the conditional share capital described above and cancel the conditional participation capital in the amount of CHF 16,237.30 for employee participation plans (existing pre-IPO) as well as the conditional participation capital in the amount of CHF 61,573 for employee participations in case of an initial public offering or takeover, and (e) create additional authorized share capital in the amount of CHF 125,936.30 for an overallotment option in connection with the IPO.

As a result of these resolutions by the Annual General Meeting, the Board of Directors executed an ordinary capital increase in the amount of CHF 153,000 on 21 March 2018 by issuing 1,530,000 shares with a par value of CHF 0.10 each to Credit Suisse AG, Zurich, acting on behalf of the managers in the IPO, who placed the shares with new investors in the IPO. At the same time, the split of existing registered shares and the conversion of the existing participation certificates became effective, resulting in a share capital of Sensirion Holding AG of CHF 1,398,817.20, divided into 13,988,172 shares with a par value of CHF 0.10 each, as of 21 March 2018.

Following the exercise of the overallotment option by the managers in the IPO, the Board of Directors resolved and executed a capital increase from the authorized capital in the amount of CHF 115,200 on 28 March 2018 by issuing 1,152,000 shares with a par value of CHF 0.10 each to Credit Suisse AG, Zurich, acting on behalf of the managers in the IPO. As a result of this capital increase, Sensirion Holding AG reached its current share capital of CHF 1,514,017.20 as of 31 December 2018.

Shares and participation certificates

All shares of Sensirion Holding AG are registered shares (*Namenaktien*) with a par value of CHF 0.10 each and are fully paid-in and non-assessable. All shares rank pari passu in all respects with each other, including in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation, and to pre-emptive rights. Following the share split in connection with the IPO as described above, Sensirion Holding AG no longer has any issued shares with privileged voting rights. Each share carries one vote at the general meeting of shareholders of Sensirion Holding AG, provided that shareholders and their shares are registered with voting rights in the share register of Sensirion Holding AG. The shares have been issued as uncertificated securities (*Wertrechte*) within the meaning of article 973c of the Swiss Code of Obligations ("CO"), are registered in the main register (*Hauptregister*) maintained by SIX SIS Ltd. and constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Act on Intermediated Securities.

Following the conversion of the participation certificates in connection with the IPO as described above, Sensirion Holding AG no longer has any issued participation certificates.

Profit sharing certificates

As of 31 December 2018, Sensirion Holding AG has not issued any profit sharing certificates (*Genussscheine*).

Limitations on transferability and Nominee registrations

Persons acquiring shares will be registered in the share register as shareholders with voting rights upon their request if they expressly declare to have acquired these shares in their own name and for their own account. The Board of Directors may refuse the registration of an acquirer in the share register as a shareholder with voting rights if such acquirer would, directly or indirectly, acquire, or hold in the aggregate, more than 5 % of the shares of Sensirion Holding AG recorded in the commercial register (the "Percentage Limit"; see Article 5 of the Articles of Association). According to Article 5 para. 7 of the Articles of Association, a group clause applies to determine whether the Percentage Limit is crossed. Even if the Percentage Limit is exceeded, the Board of Directors may grant an exception and enter a shareholder with voting rights in the share register (i) if such shareholder held or was allotted more than 5 %

of the shares recorded in the commercial register before completion of the IPO, (ii) if such incumbent shareholder (or his legal successor, respectively) acquires additional shares after the IPO, provided that the opting-up threshold of 40 % of voting rights is not exceeded, or (iii) if a person acquires such shares recorded with voting rights from such an incumbent shareholder off-market.

Details on the implementation of such exceptions are set out in the Share Register Regulations, in particular, the rule that no shareholder or group of shareholders will be registered in the share register with more than 40 % of the Company's voting rights. The decision on the granting of exceptions to the Percentage Limit lies with the Board of Directors who may with the approval of all members of the Board of Directors in its own discretion grant further exceptions.

In the financial year 2018, the Board of Directors granted exceptions from the Percentage Limit pursuant to Article 5 para. 3 of the Articles of Association in connection with the IPO of Sensirion Holding AG to five shareholders (three existing shareholders exceeding the Percentage Limit prior to the IPO and two shareholders exceeding the Percentage Limit as a result of a preferential allocation in the IPO) as well as the Anchor Shareholders as a group, and in connection with additional purchases of shares by two of these shareholders after the IPO.

Further, any person that does not expressly state in its application for registration that the relevant shares were acquired for its own account (a "Nominee") may be entered in the share register as a shareholder with voting rights regarding up to 5 % of the share capital recorded in the commercial register, provided that the Nominee has entered into an agreement with the Company regarding its position and is subject to a recognized bank or financial market supervision. Beyond such registration limit, the Board of Directors may register Nominees as shareholders with voting rights in the share register if such Nominees undertake to disclose the full name, address, citizenship, and shareholdings of those persons for whose account the Nominee holds 0.5 % or more of the share capital recorded in the commercial register. The group clause pursuant to Article 5 para. 7 of the Articles of Association also applies to Nominees.

A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required for the restriction on the transferability of shares or the cancellation of such a restriction and for the amendment or cancellation of Article 5 of the Articles of Association regarding the share register and restrictions on the registration of shareholders and nominees (see Article 13 para 2. of the Articles of Association).

Convertible bonds and options

Except for Sensirion's employee participation plans, neither Sensirion Holding AG nor any of its Group companies has any convertible bonds or options on the equity securities of Sensirion Holding AG outstanding as of 31 December 2018. For information on Sensirion's employee participation plans, see the Compensation Report on pages 58 to 60 and 62 to 63 as well as Note 17 of the Consolidated Financial Statements on pages 97 to 99.

Board of Directors

The duties and responsibilities of the Board of Directors of Sensirion Holding AG are defined by the Swiss Code of Obligations, the Articles of Association, and the Organizational Regulations.

Members of the Board of Directors

The Board of Directors consists of at least three and no more than seven members (see Article 14 of the Articles of Association). As of 31 December 2018, the Board of Directors consisted of five members. All members of the Board of Directors are non-executive directors. With the exception of the two Co-Chairmen, none of the members of the Board of Directors held an executive position with Sensirion during the last three financial years. Other than as set forth below, none of the members of the Board of Directors has any significant business connections with the Group.

The following table sets forth the name, function, and committee membership of each member of the Board of Directors as of 31 December 2018.

Name	Function	Committee membership	First elected	Elected until AGM
Dr. Moritz Lechner[1]	Co-Chairman	Member of the Nomination and Compensation Committee	1998 (formation)	2019
Dr. Felix Mayer[1]	Co-Chairman	Chairman of the Nomination and Compensation Committee	1998 (formation)	2019
Ricarda Demarmels[2]	Member	Chairwoman of the Audit Committee Member of the Independent Directors' Committee	2018	2019
Heinrich Fischer[2]	Member	Member of the Audit Committee Member of the Nomination and Compensation Committee Chairman of the Independent Directors' Committee and Lead Independent Director	2011	2019
Markus Glauser[2]	Member	Member of the Audit Committee Member of the Independent Directors' Committee	2000	2019

[1] Dr. Moritz Lechner and Dr. Felix Mayer act for Sensirion AG, each on a 50 % basis, where they are responsible for sensor innovation and strategic tasks.

[2] Independent in the sense of the Swiss Code.

Liquid Flow Sensors

The single-use LD20 liquid flow sensor opens up new possibilities for drug delivery.
When integrated into an infusion set, the sensor can even detect the patient's heartbeat.

Board of Directors

From left: Heinrich Fischer, Ricarda Demarmels, Moritz Lechner, Markus Glauser, and Felix Mayer

Dr. Moritz Lechner Co-Chairman, Swiss national, born in 1969

Moritz Lechner is one of the two founders and Co-Chairman of the Board of Directors of Sensirion Holding AG and a member of the Nomination and Compensation Committee. He has been a member of the Board of Directors, acting as Chairman or Vice-Chairman, since the incorporation of Sensirion in 1998. Until June 2016, he served as Co-CEO of the Company together with Felix Mayer. Mr. Lechner has received numerous entrepreneurial awards. Currently, he serves on the Board of Directors of Dectris AG, as well as 3db Access AG and IRsweep AG. Mr. Lechner worked in the fields of microelectronics and detector technology research at the Swiss Federal Institute of Technology (ETH Zurich) and the Paul Scherrer Institute, and studied Physics at ETH Zurich, from which he also received his PhD in Microelectronics and Detector Technology.

Dr. Felix Mayer Co-Chairman, Swiss national, born in 1965

Felix Mayer is one of the two founders and Co-Chairman of the Board of Directors of Sensirion Holding AG and Chairman of the Nomination and Compensation Committee. He has been a member of the Board of Directors, acting as Chairman or Vice-Chairman, since the incorporation of Sensirion in 1998. Until June 2016, he served as Co-CEO of the Company together with Moritz Lechner. Mr. Mayer worked at Siemens for five years and conducted research in the area of microtechnology at the Swiss Federal Institute of Technology (ETH Zurich) for four years. He is a recipient of numerous entrepreneurial awards. Currently, Mr. Mayer serves on the Board of Directors of Avantama AG, Optotune AG, and Luma Beef AG. He studied Physics at ETH Zurich, from which he also received his PhD in Physics.

Ricarda Demarmels Non-Executive Director, Swiss national, born in 1979

Ricarda Demarmels has been a non-executive member of the Board of Directors of Sensirion Holding AG since 2018. She serves as Chairwoman of the Audit Committee and is a member of the Independent Directors' Committee. Prior to joining the Board of Directors, she held various positions and as of June 2019 she will be the new CFO and a member of the Group Management of the Emmi Group. Between 2015 and 2018, Ms. Demarmels served as CFO and member of the Management Board at Orior AG. From 2009 until 2014, she worked for Capvis Equity Partners AG, where she was in charge of various acquisitions and divestitures and supported the strategic development of portfolio companies. From 2005 to 2009, Ms. Demarmels led various strategy, M&A, and integration projects for Oliver Wyman, a global management consulting firm. She studied Finance and Accounting at the University of St. Gallen and holds a Master's degree in Business Administration from the University of St. Gallen (lic.oec. HSG).

Heinrich Fischer Non-Executive Director, Swiss national, born in 1950

Heinrich Fischer has been a non-executive member of the Board of Directors of Sensirion Holding AG since 2011. He serves as Chairman of the Independent Directors' Committee and Lead Independent Director and is a member of the Audit Committee and the Nomination and Compensation Committee. Prior to joining the Board of Directors, he was CEO of the Saurer Group for eleven years until 2007. Prior to that, he was Head of Plant Engineering for optics and microelectronics at Oerlikon Balzers Coating AG for ten years and a member of the Group Management of the Oerlikon-Bührle Group for six years. Between 2012 and 2017, Mr. Fischer served on the Board of Directors of Orell Füssli Holding AG (as Chairman of the Board), as well as on the Board of Directors of SWH Inc. He also served on the Board of Directors of Schweiter Technologies AG between 2004 and 2012. Mr. Fischer is the Co-Founder of ISE AG, where he was Chairman of the Board of Directors from 1993 to 2005. Currently, Mr. Fischer serves on the Board of Directors of Hilti AG (Chairman of the Board), Tecan Group AG (Vice-Chairman of the Board), and CAMOX Fund. He received a Master's degree in Applied Physics and Electrical Engineering from the Swiss Federal Institute of Technology (ETH Zurich) and an MBA from the University of Zurich.

Markus Glauser Non-Executive Director, Swiss national, born in 1948

Markus Glauser has been a non-executive member of the Board of Directors of Sensirion Holding AG since 2000. He serves as member of the Audit Committee and the Independent Directors' Committee. Prior to joining the Board of Directors, he held a variety of management positions in the engineering and medical technology industry and a number of management positions with private equity and venture capital firms. Currently, he has no other activities or vested interests other than his function at the Company. He studied Engineering, Electrical Engineering, and Business Administration at the Universities of Applied Sciences of Berne and Biel.

Changes in the composition of the Board of Directors

Gottlieb Knoch resigned as a member of the Board of Directors with effect as of the day prior to the IPO of Sensirion Holding AG on 22 March 2018. At the Annual General Meeting on 8 March 2018, Ricarda Demarmels was elected as a new member of the Board of Directors with effect as of 21 March 2018.

Other functions and activities

Pursuant to Article 29 of the Articles of Association, no member of the Board of Directors may hold more than ten mandates on the supreme governing body of companies other than Sensirion Holding AG or its subsidiaries, of which not more than four may be in listed companies.

Elections and terms of office

The members of the Board of Directors and the Chairman (or the two Co-Chairmen) of the Board of Directors are elected individually by the general meeting of shareholders for a term of office until completion of the next Annual General Meeting. Re-election is permitted. If the office of both Co-Chairmen is vacant, the Board of Directors has to appoint a new Chairman from among its members for a term of office until completion of the next Annual General Meeting. The Organizational Regulations of Sensirion Holding AG provide that the Board of Directors shall not propose any candidate for election to the Board of Directors who is aged 70 years or above. On an exceptional basis, the Board of Directors may propose candidates aged up to 75 years.

Internal organization

The Board of Directors may appoint one or several vice-chairmen from among its members. The Board also has to appoint a secretary, who need not be a member of the Board of Directors. According to the Articles of Association and the Organizational Regulations, the Board of Directors meets at the invitation of the competent Co-Chairman as often as required and at least four times a year, or whenever a member of the Board of Directors so requests in writing. In 2018, the Board of Directors held fourteen meetings, four of which were telephone conferences. The meetings lasted on average approximately four hours each and the telephone conferences approximately two hours. The CEO and CFO regularly participate in meetings of the Board of Directors in an advisory capacity. Other members of the Executive Committee are invited to advise on individual items of the agenda. In addition to the ordinary and extraordinary meetings of the Board of Directors, all members of the Board of Directors acted as members of the Steering Committee for the IPO, which met in the presence of financial and legal advisors five times in 2018.

According to Article 3.6 of the Organizational Regulations and subject to certain exceptions, the Board of Directors is quorate when the majority of its members (including at least one Co-Chairman) is present. Generally, the Board of Directors may adopt a resolution by the majority of the votes cast. In case of a tie, the Co-Chairman who chairs the meetings of the Board of Directors has the casting vote. However, according to the Organizational Regulations, (i) decisions regarding the registration or non-registration of acquirers of shares as shareholders with voting rights in deviation from the regulations governing such registrations and (ii) amendments to the Organizational Regulations that are not of a merely formal nature or made to conform to statutory requirements require the consent of all members of the Board of Directors. Resolutions of the Board of Directors may also be passed by way of written consent (including consent by e-mail or other electronic communication), provided that no member of the Board of Directors requests oral deliberations.

Powers and duties

The Board of Directors is responsible for the ultimate direction of the Company and the Group's business and the supervision of the persons entrusted with the management of Sensirion. The Board of Directors represents Sensirion Holding AG vis-à-vis third parties and manages all matters that have not been delegated to another corporate body by law, the Articles of Association, the Organizational Regulations, or other internal regulations.

Pursuant to Article 19 of the Articles of Association, the non-transferable and inalienable duties of the Board of Directors include:

- the ultimate management of the Company and the issuance of necessary instructions;
- the determination of the organization of the Company;
- the structuring of the accounting system, of the financial controls, and the financial planning;
- the appointment and dismissal of the persons entrusted with management and representation of the Company, and issuance of rules on the signature authority;
- the ultimate supervision of the persons entrusted with management, in particular in view of compliance with the law, the Articles of Association, regulations, and directives;
- the preparation of the annual report and the compensation report;
- the preparation of the general meeting of shareholders and the implementation of its resolutions;
- the adoption of resolutions on the increase of the share capital to the extent that such power is vested in the Board of Directors, the confirmation of capital increases, the preparation of the report on the capital increase, and the respective amendments to the Articles of Association (including deletions);
- the non-transferable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act;
- the notification of the judge if liabilities exceed assets; and
- other powers and duties reserved to the Board of Directors by law or the Articles of Association.

In addition, Article 3.3 of the Organizational Regulations reserves the powers of the Board of Directors (i) to approve the annual investment and operating budgets of the Company and the Group, (ii) to approve certain major transactions, including the purchase and sale of real estate, the raising of financial indebtedness outside of the ordinary course of business, the granting of unsecured loans and guarantees exceeding CHF 2,000,000, and any unbudgeted non-recurring investment exceeding CHF 2,000,000 and any recurring expenses exceeding CHF 500,000 per year, (iii) to adopt or amend the Company's compensation and benefits strategy and the basic elements of the compensation system for the members of the Board of Directors and of the Executive Committee, (iv) to adopt or amend any participation or incentive plans for the members of the Board of Directors, the Executive Committee, or other employees, (v) subject to shareholder approval of the maximum aggregate compensation, to approve the compensation of each member of the Board of Directors, (vi) to establish the Company's dividend policy and to approve share buy-back programs, and (vii) to exercise shareholder rights in other Group companies and to supervise their business operations. Further, the Board of Directors approves the individual fixed and variable compensation of the members of the Executive Committee.

In accordance with and subject to Swiss law, the Articles of Association, and the Organizational Regulations, the Board of Directors has delegated the Company's management to the Executive Committee under the direction of the CEO.

The Co-Chairmen

According to Article 4 of the Organizational Regulations, each Co-Chairman may exercise all powers of a Chairman externally and may represent the Company like a Chairman using the title of Co-Chairman. One Co-Chairman is to chair the meetings of the Board of Directors (as of 31 December 2018 Dr. Moritz Lechner), and the other Co-Chairman is to chair the annual general meeting of shareholders (as of 31 December 2018 Dr. Felix Mayer). The Co-Chairman who is to chair the meetings of the Board of Directors has the casting vote at meetings of the Board of Directors. Further, the Board of Directors has delegated the preparation and implementation of its resolutions as well as the supervision of particular matters to the Co-Chairmen. Should a Co-Chairman be unable to exercise his functions, his functions are assumed by the other Co-Chairman, or, if the latter should also be unavailable, by another member of the Board of Directors appointed by the Board of Directors.

Board Committees

The Board of Directors established on 9 March 2018 three standing board committees: an audit committee (the "Audit Committee"), a nomination and compensation committee (the "Nomination and Compensation Committee"), and an independent directors' committee (the "Independent Directors' Committee").

According to the Organizational Regulations, each standing board committee has the power to procure any information and assistance from within the Company and the Group that it needs to discharge its responsibilities and is authorized to obtain subject-specific professional consultancy services from third parties at the expense of the Company.

The chairperson of a board committee reports to the Board of Directors on the committee's activities. The minutes of the meetings of the board comittees are available upon request to the members of the Board of Directors.

Audit Committee

The chairperson and the other members of the Audit Committee are appointed by the Board of Directors. According to Article 5.2 of the Organizational Regulations, a majority of the members of the Audit Committee shall be independent as defined by the Swiss Code of Best Practice for Corporate Governance of 2014, published by economiesuisse (the "Swiss Code"), and a majority of the members of the Audit Committee, including its chairperson, shall be experienced in financial and accounting matters. As of 31 December 2018, the Audit Committee consisted of Ricarda Demarmels (Chairwoman), Heinrich Fischer, and Markus Glauser.

According to the Charter of the Audit Committee attached to the Organizational Regulations, the Audit Committee's responsibilities include:

- assessing the quality and effectiveness of the external audit and the internal control system, including risk management;
- reviewing the Company's financial statements and the auditors' management letter;
- making recommendations to the Board of Directors regarding the submission of the Company's financial statements to the Annual General Meeting;
- assessing the performance, costs, and independence of the external auditors;
- reviewing the scope of the external audit and any other matters pertaining thereto;
- ensuring appropriate reporting by the external auditors;
- reviewing any questions, comments, or suggestions the external auditors may have regarding internal control, risk management, accounting practices and procedures with the external auditors and the CFO;
- supporting the Board of Directors in preparing the proposal to the general meeting of shareholders to elect or remove the external auditors;
- discussing any material legal or risk matters with the Executive Committee;
- supporting the Board of Directors with regard to financial planning and the principles of accounting and financial control;
- reviewing the appropriateness of the Audit Committee's powers and responsibilities at least annually and proposing any amendments to the Board of Directors; and
- any other tasks delegated to the Audit Committee by the Board of Directors.

The Audit Committee holds meetings as often as required, but in any event at least twice a year, or as requested by any of its members. Following its establishment in March 2018, the Audit Committee held two meetings in 2018 which all members of the Audit Committee, as well as the CFO in an advisory capacity, attended.

Nomination and Compensation Committee

The members of the Nomination and Compensation Committee are elected by the general meeting of shareholders for a term of office until completion of the next Annual General Meeting. Re-election is possible. According to the Articles of Association, the compensation committee shall consist of at least three members of the Board of Directors, which also applies to the Nomination and Compensation Committee for so long as the functions of a nomination committee and a compensation committee are combined in one committee. In case of vacancies, the Board of Directors may appoint substitute members from among its members for a term of office until completion of the next Annual General Meeting. The chairperson of the Nomination and Compensation Committee is appointed by the Board of Directors. According to the Organizational Regulations, at least one member of the Nomination and Compensation Committee shall be independent as defined by the Swiss Code. As of 31 December 2018, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner, and Heinrich Fischer, who were appointed by the Board of Directors on 9 March 2018 prior to the entering into force of the current Articles of Association. Moritz Lechner and Felix Mayer, Co-CEOs until June 2016, were appointed to the Nomination and Compensation Committee due to their long-standing experience with the Group and its workforce.

According to the Charter of the Nomination and Compensation Committee attached to the Organizational Regulations, the Nomination and Compensation Committee's responsibilities include:

- reviewing and submitting proposals to the Board of Directors regarding the Company's compensation and benefits strategy and the basic elements of the compensation for members of the Board of Directors and the Executive Committee;
- developing the compensation system for the members of the Board of Directors and of the Executive Committee and ensuring its implementation;
- reviewing and submitting proposals to the Board of Directors regarding any participation or incentive plans for the members of the Board of Directors, the Executive Committee, or other employees;
- making grants under participation or incentive plans to members of the Executive Committee, and delegating authority to make grants to beneficiaries other than members of the Executive Committee;
- reviewing and submitting proposals to the Board of Directors regarding the compensation of each member of the Board of Directors;
- resolving on the performance criteria and target values of the compensation of the members of the Executive Committee;
- resolving on the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee, subject to approval by the Board of Directors of the individual compensation and by the Annual General Meeting of the aggregate compensation;
- determining selection criteria for the succession of the members of the Board of Directors and its committees, the CEO and the other members of the Executive Committee (upon motion of the CEO) and establishing the related succession planning;
- assessing the performance of the members of the Board of Directors and of its committees, as well as that of the members of the Executive Committee on an annual basis;
- reviewing proposals to be made to the Board of Directors for the amendment of the Articles of Association, the Organizational Regulations, or any other rules or regulations;
- reviewing the appropriateness of the Nomination and Compensation Committee's powers and responsibilities at least annually and proposing any amendments to the Board of Directors; and
- any other tasks delegated to the Nomination and Compensation Committee by the Board of Directors.

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least twice a year, or as requested by any of its members. Prior to the IPO, no Nomination and Compensation Committee existed; following its establishment in March 2018, the Nomination and Compensation Committee held one meeting in 2018, which all members, as well as the CEO in an advisory capacity, attended.

Independent Directors’ Committee

According to the Organizational Regulations, all members of the Board of Directors who are non-executive, have not been members of the Executive Committee for at least three years, have no or comparatively minor business relations with the Company, and are not the Founders or other representatives of the shareholder pool to which the Founders belong, collectively form the Independent Directors’ Committee. The chairperson of the Independent Directors’ Committee is appointed by the members of the Independent Directors’ Committee and also acts as Lead Independent Director. As of 31 December 2018, the Independent Directors’ Committee consisted of Heinrich Fischer (Chairman and Lead Independent Director), Ricarda Demarmels, and Markus Glauser.

The responsibilities of the Independent Directors’ Committee include:

- approving any transactions between Anchor Shareholders (or their representatives on the Board of Directors) and the Group;
- resolving any matters in which an Anchor Shareholder (or its representative on the Board of Directors) has a conflicting interest;
- reviewing the appropriateness of the Independent Directors’ Committee’s powers and responsibilities at least annually and proposing any amendments to the Board of Directors;
- resolving any changes to the Independent Directors’ Committee’s powers; and
- any other tasks delegated to Independent Directors’ Committee by the Board of Directors.

The Independent Director’s Committee holds meetings as often as required or as requested by any of its members. Following its establishment in March 2018, the Independent Director’s Committee held one meeting in 2018.

Areas of responsibility of the Board of Directors and the Executive Committee

The Board of Directors has the ultimate responsibility for the business strategy of Sensirion and supervises the management of the Group. In particular, it decides on the strategic, organizational, accounting, and financial planning framework of Sensirion.

The Board of Directors has delegated the management to the Executive Committee under the direction of the CEO. The powers and duties of the CEO and the Executive Committee are set forth in the Organizational Regulations. The CEO has all powers and duties that are not reserved to the Board of Directors or the Co-Chairmen by virtue of law, the Articles of Association, or the Organizational Regulations. The CEO chairs the Executive Committee and is responsible for:

- preparing and implementing resolutions of the Board of Directors and making proposals to the Board of Directors;
- organizing, managing, and supervising the day-to-day business;
- making proposals regarding the appointment of other members of the Executive Committee and for the approval of certain major transactions;
- organizing the Executive Committee and preparing, calling, and chairing Executive Committee meetings; and
- ensuring a timely and orderly flow of information between the Executive Committee and the Board of Directors.

The Executive Committee shall support the CEO in the discharge of his duties and shall consider and decide on all matters and decisions material to the Group that are within its purview. The Executive Committee meets on a regular basis in accordance with the guidelines and instructions established from time to time by the CEO.

Information and control instruments vis-à-vis the Executive Committee

The CEO informs the Board of Directors at its meetings on the current course of business and all major business matters of the Company or the Group companies. On a quarterly basis, the CEO informs the Board of Directors on quarterly results (with a comparison to the budget and the result of the previous quarter and the same quarter of the previous year), the Company’s financial situation, as well as any developments that might have a significant impact on the course or conduct of business. Any extraordinary matters must be reported by the CEO to the members of the Board of Directors without delay.

The Co-Chairmen maintain close contact with the CEO and the other members of the Executive Committee. The course of business and all major issues are discussed at regular meetings with the CEO and/or the CFO scheduled at least once a month. Each member of the Board of Directors may request information from the CEO and from the other members of the Executive Committee on the course of business.

The Executive Committee updates the Board of Directors on the status of the business plan and key financial figures on a monthly basis. Disruptive differences to the business plan are reported by the CEO to the Co-Chairmen on a case-by-case basis. The yearly forecast and business plan are approved by the Board of Directors.

The internal audit, control, and risk management systems within the Group are based on structured and assigned competencies, which are implemented in the ERP system based on function and legal entity. To mitigate financial risks, the subsidiaries may not take out any credit lines nor any bank loans with third parties.

The subsidiaries report their financial results to the Executive Committee on a monthly basis. Recruiting of new staff at the subsidiary level has to be approved by the respective board of directors. In addition, the Board of Directors of Sensirion Automotive Solutions AG receives a separate financial and business update from its business on a monthly basis.

Executive Committee

In accordance with and subject to Swiss law, the Articles of Association, and the Organizational Regulations, the Board of Directors has delegated the Company's management to the Executive Committee under the direction of the CEO.

Members of the Executive Committee

According to the Organizational Regulations, the CEO is appointed by the Board of Directors and shall not be a member of the Board of Directors. The other members of the Executive Committee are appointed or removed by the Board of Directors upon motion of the CEO.

As of 31 December 2018, the Executive Committee consisted of six members (including the CEO). The following table sets forth the name and position of each member of the Executive Committee.

Name	Appointed	Position
Dr. Marc von Waldkirch	2016	CEO
Dr. Johannes Bleuel	2012	VP Operations
Matthias Gantner	2012	CFO
Heiko Lambach	2011	VP Human Resources
Dr. Andrea Orzati	2013	VP Sales & Marketing
Dr. Johannes Schumm	2016	VP Research & Development

Other functions and activities

Pursuant to Article 29 of the Articles of Association, no member of the Executive Committee may hold more than five mandates on the supreme governing body of companies other than Sensirion Holding AG or its subsidiaries, of which not more than one may be in listed companies.

Management contracts

Sensirion Holding AG has not entered into any management contracts with other companies (or individuals) not belonging to the Group.

Executive Committee

From left: Marc von Waldkirch, Heiko Lambach, Johannes Schumm, Andrea Orzati, Johannes Bleuel, and Matthias Gantner

Dr. Marc von Waldkirch CEO, Swiss national, born in 1974

Marc von Waldkirch has been serving as the Company's CEO since 2016. Before becoming CEO, he held a variety of management positions in the Group from 2005 to 2016, including Vice President Research & Development and Head of the Research & Development Liquid Flow Sensors. Before joining the Group, he worked as Research Assistant at the Swiss Federal Institute of Technology (ETH Zurich). Currently, Mr. von Waldkirch serves on the Board of Directors of Tannerberg AG. He received a MSc in Physics and a PhD in Electrical Engineering, both from ETH Zurich.

Dr. Johannes Bleuel VP Operations, German national, born in 1971

Johannes Bleuel has been the Vice President Operations since 2012. Prior to joining the Group, he was COO of E-Senza Technologies GmbH for three years. Prior to that, he worked at Siemens Communications in Germany and the United States for nine years, where he held various management positions in R&D and Operations. He studied Physics at the Technical University Darmstadt (Dipl.Phys.) and holds a PhD in Physics from the Technical University Munich.

Matthias Gantner CFO, German national, born in 1964

Matthias Gantner has been serving as the Company's CFO since 2012. Mr. Gantner has many years of experience in finance and, prior to joining the Group, he held the position of Head of Service and Sales Order Processing at allsafe Jungfalk, where he also was a member of the Executive Committee for one year. Prior to that, he held various functions related to finance and controlling at Norican Group for thirteen years and worked as Controller at Schiesser Eminence Group for three years. He holds a degree in Business Administration from the University of Applied Sciences, Pforzheim (Dipl.-Betriebswirt).

Heiko Lambach VP Human Resources, German national, born in 1968

Heiko Lambach has been the Vice President Human Resources since 2011. Prior to joining the Group, he held various human resources positions, including the position of Director Human Resources at Shot Blast Europe (Georg Fischer) DISA Industrie AG for eight years. Prior to that, he worked as Human Resources Manager at FJA Feilmeier & Junker AG in Germany for five years. After studying Economics at the University of Applied Sciences in Bochum, he joined Orsay GmbH in Germany, where he started his career as Personnel Officer. Heiko Lambach holds a degree in Business Administration (Dipl.-Betriebswirt).

Dr. Andrea Orzati VP Sales & Marketing, Italian and Swiss national, born in 1973

Andrea Orzati has been Vice President Sales & Marketing since 2013. After joining the Group in 2008, he held various positions, including Vice President of Mobile & Consumer Business, Director International Sales, and Manager Distribution Network. Before that, he worked for u-blox AG as Design Manager for three years and was a Research Group Leader at the Swiss Federal Institute of Technology (ETH Zurich) for two years. Currently, Mr. Orzati serves on the Board of Directors of Teqable AG. He studied Electronic Engineering at the University of Cagliari and holds a PhD in Microwave Electronics from ETH Zurich, as well as a joint MBA from the Ecole Polytechnique Fédérale de Lausane (EPFL) and the Faculty of Business and Economics of the University of Lausanne (HEC Lausanne).

Dr. Johannes Schumm VP Research & Development, German national, born in 1979

Johannes Schumm has been the Vice President Research & Development since 2016. Before that, he worked as Director of Research & Development Pressure Sensors and Project Manager. Prior to joining the Group in 2010, he was Research Assistant at the Swiss Federal Institute of Technology (ETH Zurich) for four years. Currently, Mr. Schumm serves on the Board of Directors of Clarity Movement Co., Ltd. He studied Electrical Engineering and Information Technology at RWTH Aachen University and received a PhD in Electrical Engineering from ETH Zurich.

Compensation, Shareholdings and Loans

Information on the compensation and shareholdings of the members of the Board of Directors and the Executive Committee are set forth in the Compensation Report starting on page 52.

Shareholders' Participation Rights

Voting rights restrictions and representation

At the general meeting of shareholders of Sensirion Holding AG, each registered share of Sensirion Holding AG entitles the owner to one vote. A shareholder may only exercise voting rights or rights associated therewith to the extent that such shareholder has been recorded in the share register as a shareholder with voting rights. No shareholder or proxy may, directly or indirectly, exercise voting rights attached to shares that he or she owns or represents that would collectively exceed 5 % of the shares of Sensirion Holding AG recorded in the commercial register (the "Voting Limit"; see Article 12 of the Articles of Association). According to Article 12 para. 3 of the Articles of Association, a group clause applies to determine whether the Voting Limit is crossed. The Voting Limit does not apply to (i) the exercise of voting rights by shareholders or their proxies, respectively, to the extent that their shares are registered with voting rights in the share register (see above "Limitations on Transferability and Nominee Registrations" on pages 34 and 35), or (ii) to the independent voting rights representative to the extent that he has been appointed as proxy by shareholders. A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required for the amendment or cancelation of Article 12 para. 1 to 4 of the Articles of Association regarding the Voting Limit.

Shareholders of Sensirion Holding AG may elect to be represented by proxy at a general meeting of shareholders by the independent voting rights representative, by their legal representative, or, by means of a written proxy, by any other proxy, who need not be a shareholder. On 8 March 2018, the Annual General Meeting elected Anwaltskanzlei Keller, Zurich, as the independent voting rights representative of Sensirion Holding AG for a term of office until completion of the next Annual General Meeting.

Quorum and majorities required by the Articles of Association

There is no provision in the Articles of Association requiring the presence of shareholders to constitute a quorum for general meetings of shareholders.

Shareholders' resolutions generally require the approval of an absolute majority of the votes represented at the general meeting of shareholders, unless otherwise required by Swiss law or the Articles of Association. A resolution passed at a general meeting of shareholders with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the par value of shares represented at such meeting is required by law and the Articles of Association for (i) any amendment of the Company's purpose; (ii) the creation or cancelation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares and the cancelation of such a restriction; (iv) an authorized or conditional share capital increase; (v) a share capital increase by conversion of equity surplus, against contributions in kind or for purposes of an acquisition of assets, or the granting of special benefits; (vi) the limitation or withdrawal of pre-emptive rights of shareholders; (vii) the relocation of the registered office of the Company; (viii) the dissolution of the Company; and (ix) mergers, demergers, and conversions pursuant to the Swiss Merger Act. In addition, such qualified majority is also required pursuant to Article 13 para. 2 section 10 of the Articles of Association for the amendment or cancellation of the following provisions of the Articles of Association, with the exception of editorial or technical amendments: (w) the provisions regarding the share register, restrictions on the registration of shareholders therein, and nominees (Article 5), (x) the provisions regarding shareholders' right to vote, including the Voting Limit (Article 12 para. 1 to 4), (y) the provision regarding the size of the Board of Directors (Article 14), and (z) the provision regarding the opting-up in relation to the obligation to make a mandatory tender offer (Article 33).

Calling and agenda of the general meeting of shareholders

General meetings of shareholders are convened by the Board of Directors or, if necessary, by the external auditors in accordance with Swiss law. An extraordinary general meeting of shareholders must be convened upon resolution of a general meeting of shareholders or upon written request by one or several shareholders who represent an aggregate of at least 10 % of the Company's share capital recorded in the commercial register, provided that such request specifies the agenda items and the proposals or, in case of elections, the names of the proposed candidates. One or several shareholders who represent an aggregate of at least 3 % of the Company's share capital recorded in the commercial register have the right to request that a specific proposal be put on the agenda for the next general meeting of shareholders. The Articles of Association require that such request is communicated to the Board of Directors at least 45 calendar days prior to the next general meeting.

A general meeting of shareholders is convened at least 20 calendar days prior to such meeting by publishing a notice of the meeting in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). Registered shareholders may in addition be notified of a general meeting of shareholders in writing.

Registration in the share register

Prior to a general meeting of shareholders, the Board of Directors will determine the date on which a shareholder has to be registered in the share register in order to exercise his or her participation and voting rights in the general meeting of shareholders. This record date will be published, together with the invitation to the general meeting of shareholders, in the Swiss Official Gazette of Commerce. As a rule, the share register will be closed for new entries around 10 days prior to the general meeting of shareholders.

Changes of Control and Defense Measures

Duty to make an offer and opting-up

Pursuant to the Swiss Federal Financial Market Infrastructure Act ("FMIA"), any person that acquires equity securities of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of 33⅓ % of the voting rights (whether exercisable or not) of such company, must submit a public tender offer to acquire 100 % of the listed equity securities of such company. Article 33 of the Articles of Association of Sensirion Holding AG provides for an opting-up pursuant to art. 135 para. 1 FMIA by raising such threshold to 40 % of the voting rights of Sensirion Holding AG. Accordingly, the rules regarding mandatory tender offers would only be triggered if the threshold of 40 % of the voting rights is exceeded.

Clauses on changes of control

Under the IPO Loyalty Share Program, Sensirion Holding AG issued restricted share units ("RSUs") to employees of the Group, including members of the Executive Committee (see Compensation Report on pages 60 and 63). In addition, Sensirion Holding AG granted RSUs to employees of the Group, including members of the Executive Committee, under the Bonus and Restricted Share Unit Plan of Sensirion Holding AG (see Compensation Report on pages 59 and 60, as well as pages 62 and 63). In the event of a change of control of Sensirion Holding AG, the Board of Directors may in its sole discretion (i) terminate unvested RSUs against compensation, (ii) convert or replace unvested RSUs, and (iii), in the event of a conversion, sell the shares resulting from such conversion.

Auditors

Duration of the mandate and term of office of the lead auditor

KPMG AG (“KPMG”), Badenerstrasse 172, 8036 Zurich, Switzerland has acted as statutory external auditors of Sensirion Holding AG since 2008. The Annual General Meeting re-elected KPMG as external auditors on 8 March 2018. Jürg Meisterhans (Partner) has been acting as the responsible lead auditor since 2012. In accordance with Swiss law, the lead auditor will rotate at least every seven years.

Auditing fees and additional fees

In the financial year 2018, total auditing fees charged by KPMG for the audit of the consolidated financial statements of Sensirion Holding AG and its Group companies as well as the audit of the statutory financial statements of Sensirion Holding AG amounted to CHF 692,747. This includes extraordinary auditing fees of CHF 360,000 that were charged in connection with the preparation of a comfort letter in connection with the IPO.

For additional services performed by KPMG in the financial year 2018, Sensirion was charged total non-auditing fees as follows.

Service, in CHF	**Amount**
Tax advice	20,373
Transfer pricing advice	46,020
Restatement of consolidated financial statements in accordance with IFRS	106,009
Total	**172,402**

Information instruments

The Board of Directors exercises its responsibility for the supervision of the auditors through the Audit Committee which assesses the quality and effectiveness of the external audit on an regular basis. The Audit Committee reviews the scope of the external audit, the audit plan, as well as the results of the external audit. Further, the Audit Committee reviews any questions, comments, or suggestions of the external auditors regarding internal control, risk management, and accounting practices and procedures with the external auditors and the CFO.

In addition to the audit reports on the consolidated financial statements and the statutory financial statements of Sensirion Holding AG, the external auditors prepare a comprehensive report for the Board of Directors pursuant to art. 727a CO. Following the establishment of the Audit Committee in 2018, the Audit Committee discussed the comprehensive report and the results of the external audit in detail with the external auditors for the first time in 2019.

Prior to the IPO, the lead auditor attended one meeting of the Board of Directors by telephone conference to present its comprehensive audit report in 2018. Following the IPO, the lead auditor attended all meetings of the Audit Committee. Further, the Audit Committee assesses the performance, costs, and independence of the external auditors on an annual basis and supports the Board of Directors in preparing the proposal to the general meeting of shareholders to elect the external auditors.

The Audit Committee verifies that any additional services of the external auditors not relating to the audit services are provided within the independence requirements pursuant to Swiss law. The external auditors are required to confirm that their performance of these additional services will not affect their independence for the audit mandate.

Information Policy

Sensirion Holding AG publishes its annual report and its interim report on the dates listed in the financial calendar set forth below and published on its Investor Relations website at https://www.sensirion.com/financial-calendar. Financial reports, press releases, information on corporate governance, and share information are available on the Investor Relations website at https://www.sensirion.com/investors.

The CEO, the CFO, and the Director Investor Relations regularly take part in various external investor meetings.

Sensirion Holding AG publishes price-sensitive information in accordance with its disclosure obligations pursuant to the rules of the SIX Swiss Exchange (rules on ad hoc publicity). Interested persons may join our mailing list for ad hoc disclosures by subscribing for our financial media releases at https://www.sensirion.com/financial-newsletter.

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Financial Calendar

14 May 2019	Annual general meeting
21 August 2019	2019 half-year results and interim report

Compensation Report

This Compensation Report describes Sensirion's principles of compensation and provides information on the compensation awarded to the members of the Board of Directors and the Executive Committee in the financial year 2018. The Compensation Report has been prepared in accordance with the Ordinance against Excessive Compensation at Publicly Listed Corporations (the "Compensation Ordinance"), item 5 of the Directive on Information relating to Corporate Governance of SIX Exchange Regulation, and the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse (the "Swiss Code").

The Compensation Report will be presented to the annual general meeting of shareholders of Sensirion Holding AG (the "Annual General Meeting") on 14 May 2019 for a consultative vote.

Basic Principles of Compensation

The compensation system of Sensirion aims to attract, engage and retain talented, highly qualified and motivated executives and employees to implement Sensirion's strategy, to ensure sustainable corporate growth, to foster an entrepreneurial mindset, and to create long-term sustainable shareholder value. The key principles of our compensation system are based on our company values "fair and honest, work together, top performance" and are as follows:

- Fairness, transparency and simplicity (reflecting "fair and honest");
- Reward for performance (reflecting "top performance");
- Focus on sustainable long-term value creation, thereby aligning executives' and employees' interests with shareholders' interests (reflecting "work together").

Our guiding principles for the annual bonus of the members of the Executive Committee and all other employees are as follows:

- Employees participate in the long-term development of Sensirion by way of the Bonus and RSU Plan.
- At Sensirion, individual performance is assessed against pre-defined individual performance objectives and discussed with the supervisor as part of a year-end personal review meeting where new individual performance objectives are determined for the following year.
- Sensirion believes that individual performance cannot be fully measured only by key performance indicators and that looking only at quantitative targets may create wrong incentives.
- Therefore, (i) the bonus takes into account the overall assessment of an employee's individual performance by their direct supervisor and (ii) the major part of an employee's compensation consists of a fixed base salary and the variable bonus only accounts for a small portion of the total compensation.
- For the members of the Executive Committee, the aggregate variable compensation is subject to retrospective approval by the Annual General Meeting.

Compensation Governance

Responsibility for compensation

In accordance with the Articles of Association and the Organizational Regulations of Sensirion Holding AG, the Board of Directors is responsible for the compensation and benefits strategy of Sensirion and for the basic elements of the compensation system for the members of the Board of Directors and of the Executive Committee. The Board of Directors approves the individual compensation of the members of the Board of Directors and the Executive Committee subject to approval of the maximum aggregate compensation by the Annual General Meeting.

The Nomination and Compensation Committee supports the Board of Directors in compensation-related matters. It consists of at least three members of the Board of Directors, of which at least one member must be independent as defined by the Swiss Code. As of 31 December 2018, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner, and Heinrich Fischer. According to the Charter of the Nomination and Compensation Committee attached to the Organizational Regulations, the Nomination and Compensation Committee has the following main tasks:

- developing the compensation system for the members of the Board of Directors and of the Executive Committee and ensuring its implementation;
- making grants under participation or incentive plans to members of the Executive Committee, and delegating authority to make grants to beneficiaries other than members of the Executive Committee;
- resolving on the performance criteria and target values of the compensation of the members of the Executive Committee; and
- resolving on the fixed and variable compensation of the CEO and, upon recommendation of the CEO, of the other members of the Executive Committee, subject to approval by the Board of Directors of the individual compensation and by the Annual General Meeting of the maximum aggregate compensation.

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least two times a year, or as requested by any of its members. Following its establishment in March 2018, the Nomination and Compensation Committee held one meeting in 2018, which all members attended. The Chairman of the Nomination and Compensation Committee reports to the Board of Directors on the committee's activities. The minutes of the meetings of the Nomination and Compensation Committee are available upon request to the members of the Board of Directors.

Additional information on the Nomination and Compensation Committee is provided in the Corporate Governance Report on page 43.

Authorities in compensation-related matters

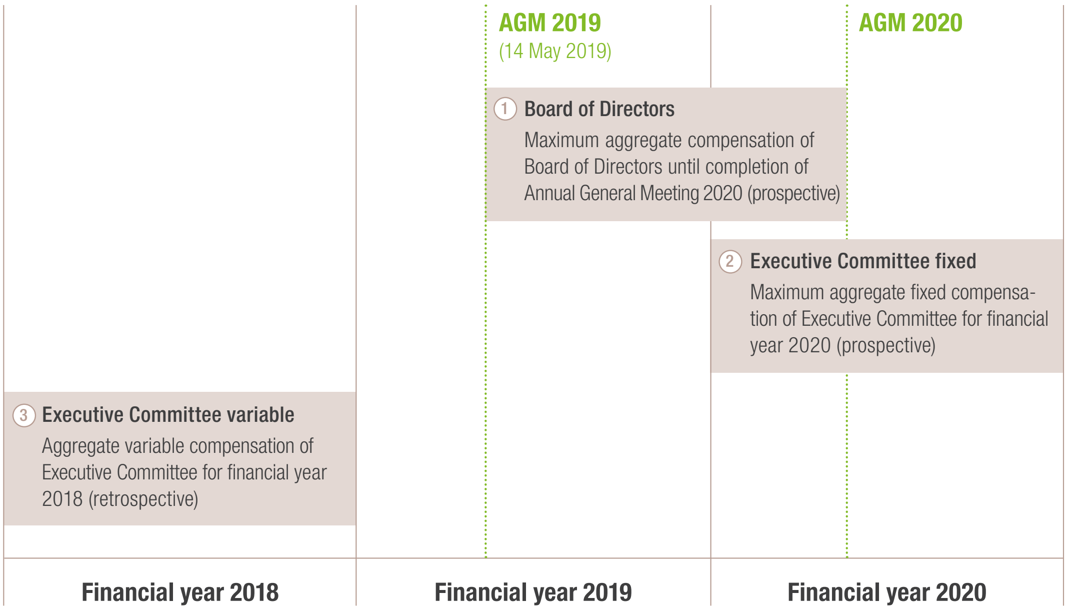
	AGM	Board	NCC	CEO
Compensation and benefits strategy; basic elements of compensation system		Approves	Proposes	
Maximum aggregate compensation of Board	Approves	Proposes	Proposes	
Individual compensation of Board members		Approves	Proposes	
Maximum aggregate fixed compensation of EC (prospective)	Approves	Proposes	Proposes	
Aggregate variable compensation of EC (retrospective)	Approves	Proposes	Proposes	
Individual compensation of CEO		Approves	Proposes	
Individual compensation of other EC members		Approves	Proposes	Proposes
Performance criteria and target values of compensation of EC members			Approves	Proposes
Compensation Report	Consultative vote	Approves	Proposes	

AGM: Annual General Meeting; Board: Board of Directors; NCC: Nomination and Compensation Committee; CEO: Chief Executive Officer; EC: Executive Committee

Shareholders’ approval of compensation (Say on Pay)

In accordance with art. 18 of the Compensation Ordinance and Article 25 of the Articles of Association, the Annual General Meeting must approve the proposals by the Board of Directors regarding the aggregate amounts of:
(1) the maximum compensation of the Board of Directors until completion of the next Annual General Meeting;
(2) the maximum fixed compensation of the Executive Committee for the following financial year; and
(3) the variable compensation of the Executive Committee for the preceding financial year.

The following chart shows for which periods proposals on compensation will be submitted for approval to the Annual General Meeting on 14 May 2019.



If the maximum aggregate amount of compensation of the Executive Committee already approved by the Annual General Meeting is not sufficient to also cover the compensation of persons newly appointed to or promoted within the Executive Committee, each such person may be paid up to 40 % (in the case of the CEO) or 20 % (all other members of the Executive Committee), as applicable, of the aggregate amount of (maximum) compensation of the Executive Committee last approved by the Annual General Meeting.

Compensation rules in the Articles of Association

The Articles of Association of Sensirion Holding AG, which can be found on our website (https://www.sensirion.com/articles-of-association-internal-regulations), provide for the principles of compensation applicable to the Board of Directors and the Executive Committee. These provisions include:

- Approval of the compensation of the Board of Directors and the Executive Committee by the Annual General Meeting (Article 25);
- Supplemental amount for changes to the Executive Committee (Article 26); and
- Principles of compensation of the members of the Board of Directors and the Executive Committee (Article 27).

The Articles of Association do not provide for the granting of loans and credit facilities to the members of the Board of Directors or the Executive Committee.

Compensation of the Members of the Board of Directors

Compensation structure

The compensation for the members of the Board of Directors consists exclusively of a fixed compensation in cash to ensure that the Board of Directors remains independent in exercising its supervisory duties towards the Executive Committee. In accordance with the Articles of Association, the Board of Directors determines the amount of compensation of its members based on their position and level of responsibility on an annual basis.

The Co-Chairmen are both acting for Sensirion AG, Stäfa, Switzerland, each on a 50 % basis, and are responsible for sensor innovation and strategic tasks. They are not involved in the day-to-day management of Sensirion. For their work, each Co-Chairman receives a fixed compensation of CHF 250,000 p.a.. In addition, they participate in the occupational pension plans of Sensirion. The Co-Chairmen are neither entitled to a performance-related compensation nor to any additional compensation as Co-Chairmen and chairman or member of any committee.

The compensation awarded to the other members of the Board of Directors consists of a fixed board membership fee of CHF 50,000 p.a. and additional fixed fees as chairperson or member of a committee of the Board of Directors as set forth below.

Elements of Board compensation (in CHF per year)	**Chairperson**	**Member**
Board of Directors	250,000[1]	50,000
Audit Committee (AC)	30,000	20,000
Nomination and Compensation Committee (NCC)	n/a[2]	10,000[3]
Independent Directors' Committee	10,000	10,000

[1] Each Co-Chairman receives a fixed compensation by Sensirion AG, each on a 50 % basis, being responsible for sensor innovation and strategic tasks. The Co-Chairmen do not receive any additional compensation as Co-Chairmen of the Board of Directors.

[2] Dr. Felix Mayer, Co-Chairman, does not receive any additional compensation as chairman of the NCC.

[3] Dr. Moritz Lechner, Co-Chairman, does not receive any additional compensation as member of the NCC.

Sensirion performs on a regular basis a comparison of the compensation for the members of the Board of Directors with peers listed on the SIX Swiss Exchange from the technology and manufacturing sectors with revenues in the range of CHF 50-600 million.

In addition, all members of the Board of Directors may be compensated with an additional fee in exceptional circumstances for performing special tasks for Sensirion, assigned to them and approved by the Board of Directors, that are outside of their regular duties and activities as members of the Board of Directors. Except for a one-time advisory fee awarded to Ricarda Demarmels, no member of the Board of Directors received any additional compensation in connection with the IPO.

The members of the Board of Directors are compensated in cash. The cash compensation is paid to the Co-Chairmen on a monthly basis and to the other members of the Board of Directors on an annual basis. Further, the members of the Board of Directors are reimbursed for all reasonable expenses incurred by them in the discharge of their duties.

The Nomination and Compensation Committee reviews the annual compensation of the members of the Board of Directors and submits a proposal to the Board of Directors regarding the compensation of each member of the

Board of Directors on an annual basis. The Co-Chairmen and the other members of the Nomination and Compensation Committee participate in meetings of the Nomination and Compensation Committee where their compensation is discussed. The Nomination and Compensation Committee decides collectively on the overall proposal to the Board of Directors regarding the individual compensation of the members of the Board of Directors. The Board of Directors approves collectively in one vote the individual compensation of the Co-Chairmen and its other members as well as the proposal to the Annual General Meeting regarding the aggregate amount of maximum compensation for all of its members once per year in a meeting where all members are present.

Compensation awarded to the members of the Board of Directors

In the financial year 2018, the Board of Directors consisted of five members. Prior to the IPO of Sensirion Holding AG on 22 March 2018, Gottlieb Knoch resigned as a member of the Board of Directors and Ricarda Demarmels was elected as a new member of the Board of Directors. For the financial years 2018 and 2017, the compensation of the members of the Board of Directors is set out in the table below. The difference in compensation compared to the previous year is due to the establishment of three standing committees of the Board of Directors (Audit Committee, Nomination and Compensation Committee, and Independent Directors' Committee) in connection with the IPO and the resulting additional tasks for the members of the Board of Directors appointed to these committees.

Prior to the IPO, the Board of Directors approved the aggregate amount of compensation for the members of the Board of Directors for the full financial year 2018 and the period until completion of the Annual General Meeting 2019 (assuming a period of 16 months). The compensation awarded to the members of the Board of Directors for this term up to 31 December 2018 is within the limit approved by the Board of Directors.

Compensation of the Board of Directors in 2018 (audited)

In CHF	Basic compensation	Additional compensation (committees, special tasks)	Pension benefits and social security contributions	Total compensation
Dr. Moritz Lechner, Co-Chairman	250,000[1]	–	41,054	291,054
Dr. Felix Mayer, Co-Chairman	250,000[1]	–	42,034	292,034
Ricarda Demarmels[2]	37,500	42,500[3]	6,400[4]	86,400
Heinrich Fischer	50,000	30,000	6,400[4]	86,400
Markus Glauser	50,000	22,500	5,800[4]	78,300
Gottlieb Knoch[5]	12,500	–	1,000[4]	13,500
Total	**650,000**	**95,000**	**102,688**	**847,688**

[1] Each Co-Chairman receives a fixed compensation by Sensirion AG, each on a 50 % basis, being responsible for sensor innovation and strategic tasks. The Co-Chairmen do not receive any additional compensation as Co-Chairmen of the Board of Directors.

[2] Member of the Board of Directors since 21 March 2018.

[3] Includes a one-time advisory fee of CHF 12,500 for services rendered to the Board of Directors in connection with the IPO and meetings of the Board of Directors prior to the IPO and prior to becoming a member of the Board of Directors.

[4] Only includes social security contributions required by Swiss Law.

[5] Member of the Board of Directors until 21 March 2018.

Compensation of the Board of Directors in 2017 (non-audited)

In CHF	Fixed compensation	Pension benefits and social security contributions	Total compensation
Dr. Moritz Lechner, Co-Chairman	250,000[1]	40,709	290,709
Dr. Felix Mayer, Co-Chairman	250,000[1]	41,596	291,596
Heinrich Fischer	50,000	4,000[2]	54,000
Markus Glauser	50,000	4,000[2]	54,000
Gottlieb Knoch[3]	33,333	2,667[2]	36,000
Ricarda Demarmels[4]	8,333[5]	667[2]	9,000
Total	**641,666**	**93,639**	**735,305**

[1] Each Co-Chairman receives a fixed compensation by Sensirion AG, each on a 50 % basis, being responsible for sensor innovation and strategic tasks. The Co-Chairmen do not receive any additional compensation as Co-Chairmen of the Board of Directors.

[2] Only includes social security contributions required by Swiss Law.

[3] Member of the Board of Directors from 15 May 2017 until 21 March 2018.

[4] Member of the Board of Directors since 21 March 2018.

[5] Consists of a one-time advisory fee for services rendered to the Board of Directors in connection with the IPO and meetings of the Board of Directors prior to the IPO and prior to becoming a member of the Board of Directors.

Loans or Credits to members of the Board of Directors (audited)

As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and current members of the Board of Directors.

Former members of the Board of Directors (audited)

In 2018, no compensation was paid to former members of the Board of Directors. As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and former members of the Board of Directors.

Related parties of members of the Board of Directors (audited)

In 2018, no compensation was paid to parties closely related to current or former members of the Board of Directors. As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and parties closely related to current or former members of the Board of Directors.

Compensation of the Members of the Executive Committee

Compensation structure

The compensation for the members of the Executive Committee (or “EC”) consists of an annual base salary, benefits, and a bonus awarded in the form of restricted shares and restricted share units (“RSUs”).

Compensation components	Instrument	Purpose	Influenced by
Annual base salary	Basic fixed compensation Paid in cash on a monthly basis	Attract and retain talented and highly qualified executives	Position Experience Competitive market
Bonus (share-based compensation)	Annual variable bonus Paid in restricted shares and RSUs	Reward individual and company performance Align to shareholders' interest Foster entrepreneurial mindset	Contribution to short-, mid- and long-term goals of company Personal initiative Individual extra efforts

Benefits	Pension benefits and social security contributions Allowances in kind	Risk protection for participants and their dependents	Market practice and position Legal requirements

In connection with the IPO, the Board of Directors of Sensirion Holding AG granted RSUs under a special employee participation plan (the "IPO Loyalty Share Program") as a gratification bonus and incentive instrument for current employees, including the members of the Executive Committee.

Base salary

Members of the Executive Committee receive an annual base salary as fixed compensation paid in cash on a monthly basis. It reflects the scope and key areas of responsibilities of the position, the qualification and skills required to perform the role, and the experience, seniority, and skill set of the individual person. The base salary is reviewed and determined on an annual basis by the Nomination and Compensation Committee and approved by the Board of Directors. The CEO makes recommendations to the Nomination and Compensation Committee for the base salary of the other members of the Executive Committee.

Sensirion performs on a regular basis a comparison of the compensation for the members of the Executive Committee with peers listed on the SIX Swiss Echange from the technology and manufacturing sectors with revenues in the range of CHF 50-600 million.

Bonus (Equity Award)

Members of the Executive Committee are awarded an annual bonus as variable compensation paid in restricted shares subject to a blocking period of three years and in RSUs subject to a vesting period of three years under Sensirion's Bonus and Restricted Share Unit Plan (the "Bonus and RSU Plan"), as further described below. As a result, the annual bonus consists of both a short-term incentive and a long-term incentive. According to Article 25 of the Articles of Association, the aggregate amount of the annual bonuses awarded to the members of the Executive Committee is subject to the retrospective approval of the variable compensation for 2018 by the Annual General Meeting on 14 May 2019.

The Nomination and Compensation Committee determines the annual bonus of the CEO, and upon recommendation of the CEO, the annual bonus of each other member of the Executive Committee in its sole discretion on an annual basis. Sensirion does not take a formulaic approach based on key performance indicators with respect to variable compensation. The number of restricted shares to be awarded is determined by dividing the bonus amount by an average price of the shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the shares as determined by the Company in its sole discretion (in 2018, 10 (ten) trading days), rounded down to the nearest full number of shares. The number of RSUs to be awarded is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee. In 2018, the RSUs awarded for the 2018 bonus of the members of the Executive Committee represented 100 % of the value of the restricted shares to create long-term incentives and alignment with shareholders' interests. The Nomination and Compensation Committee submits to the full Board of Directors the individual annual bonuses to be awarded to the members of the Executive Committee for approval on an annual basis.

As a result of Sensirion's long-term business perspective based on sustainable innovation and resulting long investment cycles, common, mainly short-term-oriented, quantitative target metrics are considered inappropriate to determine the annual bonus of the members of the Executive Committee on a strictly mathematical basis. Sensirion believes that individual performance cannot be fully measured only by key performance indicators, and that looking only at quantitative targets may create wrong incentives. Therefore, the major part of the compensation consists of a fixed base salary, and the variable bonus, which is based on performance criteria, only accounts for a small portion of the total compensation.

For the members of the Executive Committee and all other employees, individual performance objectives are pre-defined prior to the relevant financial year by such person's direct supervisor (for the CEO, the Co-Chairmen; and for the other members of the Executive Committee, the CEO) and discussed as part of the year-end personal review meeting. At the end of each financial year, the individual performance of the members of the Executive Committee and all other employees is assessed against those objectives and considered when determing the annual bonus. In general, the annual bonus of the members of the Executive Committee and all other employees is determined by taking into account the following performance criteria, which are weighted by the Nomination and Compensation Committee in its sole discretion:

- Individual criteria
  - Personal contribution to the short-, mid-, and long-term goals of Sensirion and the team
  - Personal initiative and willingness to take on responsibility
  - Individual extra efforts to achieve short- and mid-term goals
  - Team player and interdisciplinary skills
  - Entrepreneurial approach to achieve Sensirion's goals
- Additional criteria for team and project leaders
  - Ability to attract, retain, and coach talents in one's team
  - Communication and motivation skills
- Team criteria
  - Overall performance of the team
  - Achievement of the team's goals

In view of the intended method to determine the annual bonus for the Executive Committee, the Board of Directors proposed, and the Annual General Meeting adopted on 8 March 2018, Article 25 of the Articles of Association requiring retrospective shareholder approval of the variable compensation. Therefore, the Company will not deliver to the members of the Executive Committee the restricted shares and the RSUs granted with the annual bonus in 2018 prior to the approval by the Annual General Meeting 2019.

In 2018, the variable compensation in the form of the annual bonus, including RSUs, awarded to members of the Executive Committee represented around 20 % of the base salary for the CEO and between 14 % and 20 % of the base salary for the other members of the Executive Committee. As a rule, the amount of the annual bonus, including RSUs, granted to each member of the Executive Committee must not exceed 40 % of such member's annual fixed base salary.

Details of the Bonus and RSU Plan

The Bonus and RSU Plan, which is applicable to all employees of Sensirion (including the members of the Executive Committee) eligible for a bonus, includes special provisions applicable to the members of the Executive Committee as set forth in this Compensation Report. In particular, members of the Executive Committee are awarded their bonus only in the form of restricted shares and RSUs, whereas the other employees may choose between a cash bonus or an equity bonus.

Restricted shares are subject to a blocking period of three years as from the date of grant during which the shares may not be sold, otherwise transferred, pledged, or made the object of hedging transactions. The Co-Chairmen, acting jointly, may waive this sale restriction in cases of hardship or in case of termination of employment to the extent permitted by law. As a rule, all restricted shares remain restricted until the expiration of the blocking period.

The RSUs granted under the Bonus and RSU Plan are subject to a cliff vesting three years after the date of grant; provided that the relevant participant has not given or received notice of termination of his or her employment as set forth below by the vesting date, and has not sold or otherwise transferred the economic benefit of, or pledged any of the restricted shares allocated to him or her as part of the equity award. On the vesting date, each RSU is automatically converted into one share of Sensirion Holding AG. Sensirion may settle the RSUs with newly issued shares out of the Company's conditional share capital and/or out of the Company's treasury shares and/or with shares purchased in the open market.

In case of termination of the employment of a participant as a result of ordinary retirement, disability, or death, such member's RSUs vest at the relevant vesting date. In all other cases of termination, all unvested RSUs will be forfeited without any compensation. The Co-Chairmen, acting jointly, may provide for exceptions to the extent permitted by law.

In the event of the acquisition of 50 % or more of the voting rights of all outstanding shares of Sensirion Holding AG, through the acquisition of securities or a merger or consolidation, or the sale of substantially all of the Company's assets to a third party, the Board of Directors may, in its sole discretion, (i) terminate unvested RSUs against compensation, (ii) convert, replace, or roll over unvested RSUs and, (iii) in the event of a conversion, sell the shares resulting from such conversion.

Restricted Share Units awarded under the IPO Loyalty Share Program

In connection with the IPO, the members of the Executive Committee received RSUs under a special employee participation plan (the "IPO Loyalty Share Program") as a gratification bonus and incentive instrument for current employees. This extraordinary award was approved by the Board of Directors prior to the IPO and the entry into force of Article 25 of the Articles of Association and, therefore, is not subject to the retrospective approval of the variable compensation of the Executive Committee for 2018 by the Annual General Meeting 2019.

Under the IPO Loyalty Share Program, Sensirion granted 560,267 RSUs to its employees prior to the IPO, of which members of the Executive Committee received 27,024 RSUs (which corresponds to 4.8 % of all RSUs granted under this plan). The RSUs will be converted into shares of Sensirion Holding AG upon vesting as described below. Each employee (including the members of the Executive Committee) received such number of RSUs as corresponds to the proportion of his or her individual aggregate amount of bonus accumulated since the incorporation of the Company over the aggregate amount of bonus of all current employees since the incorporation of the Company.

The RSUs vest and are settled in shares in two tranches. 50 % of the RSUs vested and were converted into shares on 15 January 2019, and the remaining 50 % of the RSUs will vest and be converted into shares on 15 January 2020; provided, in each case, that the relevant participant is still employed by Sensirion on such date. In the event of a participant's termination of employment with Sensirion prior to such date, the RSUs are, as a rule, forfeited. Each RSU issued under the IPO Loyalty Share Program converts into one share of Sensirion Holding AG. The conversion price corresponds to the nominal value of a share to be paid by the beneficiaries. RSUs issued under the IPO Loyalty Share Program may be settled with newly issued shares out of the Company's conditional share capital and/or out of the Company's treasury shares and/or with shares purchased in the open market.

If a third party acquires 50 % or more of the voting rights of all outstanding shares of Sensirion Holding AG, through a sale of securities or a merger or consolidation, or if all or substantially all of the Company's assets are sold to a third party, the Board of Directors may, in its sole discretion, terminate unvested RSUs against compensation, convert or replace unvested RSUs and, in the event of a conversion, sell the shares resulting from such conversion.

Benefits

Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and illness or accident. The current members of the Executive Committee are all employed under a Swiss employment agreement. They participate in Sensirion's occupational pension plan offered to all employees in Switzerland, whereby the base salary is insured up to the maximum amount permitted by law. Sensirion's pension benefits exceed the legal requirements of the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (*BVG*).

In addition, members of the Executive Committee are eligible for standard benefits, such as a representation allowance and benefits in kind, in particular, support when commuting by public transportation.

Shareholding ownership guideline

Pursuant to the Bonus and RSU Plan, no member of the Executive Committee shall sell or otherwise transfer his shares in Sensirion Holding AG if, as a result, the value of his shareholdings in Sensirion Holding AG falls below 100 % of his last annual fixed and variable compensation. The value of the shareholdings held by an individual member of the Executive Committee is determined by multiplying the number of shares (including restricted shares) owned by such member with the market price of the shares.

Compensation awarded to members of the Executive Committee

In the financial year 2018, the Executive Committee consisted of six members. For the financial years 2018 and 2017, the compensation of the members of the Executive Committee is set out in the table below. Compared to 2017, the 2018 base salaries have been increased by the Board of Directors prior to the IPO based on a comparison with peers prepared by the Co-Chairmen showing that an adjustment is appropriate. The bonuses in 2018 resulted from (i) the extraordinary efforts by all members of the Executive Committee to execute a successful IPO while keeping the regular business running, (ii) the implementation of the Bonus and RSU Plan as a new equity incentive plan following the IPO, and (iii) by taking into account the comparison with peers prepared prior to the IPO. The compensation in connection with the IPO Loyalty Share Program is shown separately to reflect its one-time nature (see page 60). Pension and social security contributions are listed individually for the items base salary, variable bonus, and IPO Loyalty Share Program.

Prior to the IPO, the Board of Directors approved the aggregate amount of fixed compensation for the members of the Executive Committee for the full financial year 2018. The fixed compensation paid to the members of the Executive Committee for the financial year 2018 is within the limit approved by the Board of Directors.

Compensation of the Executive Committee in 2018 (audited)

Compensation Components (in CHF)	**CEO**	**Other EC (5 members)**	**Total EC**
Base salary	441,012	1,195,588	1,636,600
Pension and social security, for base salary	59,635	195,144	254,779
Total fixed compensation	500,647	1,390,732	1,891,379
Variable bonus (restricted shares and RSUs)[1]	88,119	206,815	294,934
Social security, for variable bonus	7,049	16,545	23,594
Total ordinary compensation, fixed and variable	**595,815**	**1,614,092**	**2,209,907**
IPO Loyalty Share Program (RSUs)[2]	312,330	657,832	970,162
Social security, for IPO Loyalty Share Program	46,849	98,675	145,524
Total compensation, including IPO Loyalty Share Program	**954,994**	**2,370,599**	**3,325,593**

[1] Variable bonus is based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 41.20), and consists of 50% restricted shares subject to a blocking period of three years and 50% RSUs subject to a vesting period of three years, and is subject to approval by the Annual General Meeting on 14 May 2019. Following such approval, a revised fair value will be determined for accounting purposes only.

[2] Based on the offer price in the IPO (CHF 36.00). 50% of the RSUs vested and were converted into shares on 15 January 2019, and the remaining 50% of the RSUs will vest and be converted into shares on 15 January 2020.

Compensation of the Executive Committee in 2017 (non-audited)

Compensation Components (in CHF)	**CEO**	**Other EC (5 members)**	**Total EC**
Base salary	400,010	1,129,123	1,529,133
Bonus (participation certificates)	60,000	114,987	174,987
Pension and social security[1]	58,476	175,944	234,420
Total compensation	**518,486**	**1,420,054**	**1,938,540**

[1] For base salary and bonus

Loans or credits to members of the Executive Committee (audited)

As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and current members of the Executive Committee.

Contracts with members of the Executive Committee

All members of the Executive Committee are employed under employment contracts of unlimited duration that are subject to a notice period of six months. None of the members of the Executive Committee is contractually entitled to termination payments or any change of control provisions other than the accelerated vesting and unblocking of equity awards as described above.

Former members of the Executive Committee (audited)

In 2018, no compensation was paid to former members of the Executive Committee. As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and former members of the Executive Committee.

Related Parties of members of the Executive Committee (audited)

In 2018, no compensation was paid to parties closely related to current or former members of the Executive Committee. As of 31 December 2018, there were no outstanding loans or credit facilities between Sensirion and parties closely related to current or former members of the Executive Committee.

Employee Participation Plans

As of 31 December 2018, Sensirion maintains two employee participation plans for its employees in Switzerland as well as for employees of Sensirion's foreign subsidiaries:

- The Bonus and RSU Plan applies to the bonus granted to employees for their performance in the financial year 2018 (the "2018 Bonus") and to any future bonuses.
- The IPO Loyalty Share Program has been established in connection with the IPO as a one-time gratification bonus and incentive instrument for current employees.

Bonus and RSU Plan

The purpose of the Bonus and RSU Plan is to provide employees eligible for a bonus with an opportunity to participate in the creation of long-term shareholder value of Sensirion. Sensirion Holding AG and its subsidiaries may award a bonus to their employees under the Bonus and RSU Plan; provided that such employees have not given or received notice of termination at the time of the award. The Executive Committee determines the bonus of the employees in its sole discretion on an annual basis. As a rule, the bonus amount shall not exceed 20 % of an employee's annual fixed salary. The annual funding pool for the Bonus and RSU Plan allocated to participants is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee.

In 2018, Sensirion awarded bonuses to 568 employees who, in accordance with the Bonus and RSU Plan, were given the opportunity to choose between payment of their 2018 Bonus either in cash (the “Cash Bonus”) or in restricted shares of Sensirion Holding AG subject to a blocking period of three years and additional RSUs subject to a vesting period of three years (the “Equity Bonus”). Any bonus is subject to the condition that the eligible employee has not been given notice of termination for cause by its employer during the election period. If an eligible employee does not notify Sensirion of his or her election during the election period, he or she receives his or her 2018 Bonus in the form of a Cash Bonus. The election period for the 2018 Bonus ended on 7 January 2019.

For the Equity Bonus, the number of restricted shares is determined by dividing the amount of the Cash Bonus by an average price of the shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the shares as determined by the Company in its sole discretion (in 2018, 10 (ten) trading days), rounded down to the nearest full number of shares. The number of RSUs to be awarded is determined by the Board of Directors in its sole discretion upon recommendation of the Nomination and Compensation Committee. In 2018, the RSUs awarded for the 2018 Bonus of all employees (other than the members of the Executive Committee) represented 25 % of the value of the restricted shares.

For further information, please refer to the description of the Bonus and RSU Plan on pages 59 and 60 of this Compensation Report.

IPO Loyalty Share Program

Under the IPO Loyalty Share Program, Sensirion granted 560,267 RSUs to its employees (including members of the Executive Committee) prior to the IPO. No additional RSUs have been or will be granted under the IPO Loyalty Share Program. The RSUs will be converted into shares of Sensirion Holding AG upon vesting as described above for the members of the Executive Committee. Each employee participating in the IPO Loyalty Share Program received such number of RSUs as corresponds to the proportion of his or her individual aggregate amount of bonus accumulated since incorporation of the Company over the aggregate amount of bonus of all current employees since the incorporation of the Company.

For further information, please refer to the description of the IPO Loyalty Share Program on page 60 of this Compensation Report.

Shares held by Members of the Board of Directors and the Executive Committee

The details on shareholdings of the members of the Board of Directors and the Executive Committee are set forth in Note 3.6 of the statutory financial statements of Sensirion Holding AG on page 130 of the Annual Report.

Auditor's Report

KPMG

Report of the Statutory Auditor

To the General Meeting of Sensirion Holding AG, Stäfa

We have audited the accompanying compensation report of Sensirion Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables and sections labeled "audited" on pages 56, 57, 61 and 62 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2018 of Sensirion Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

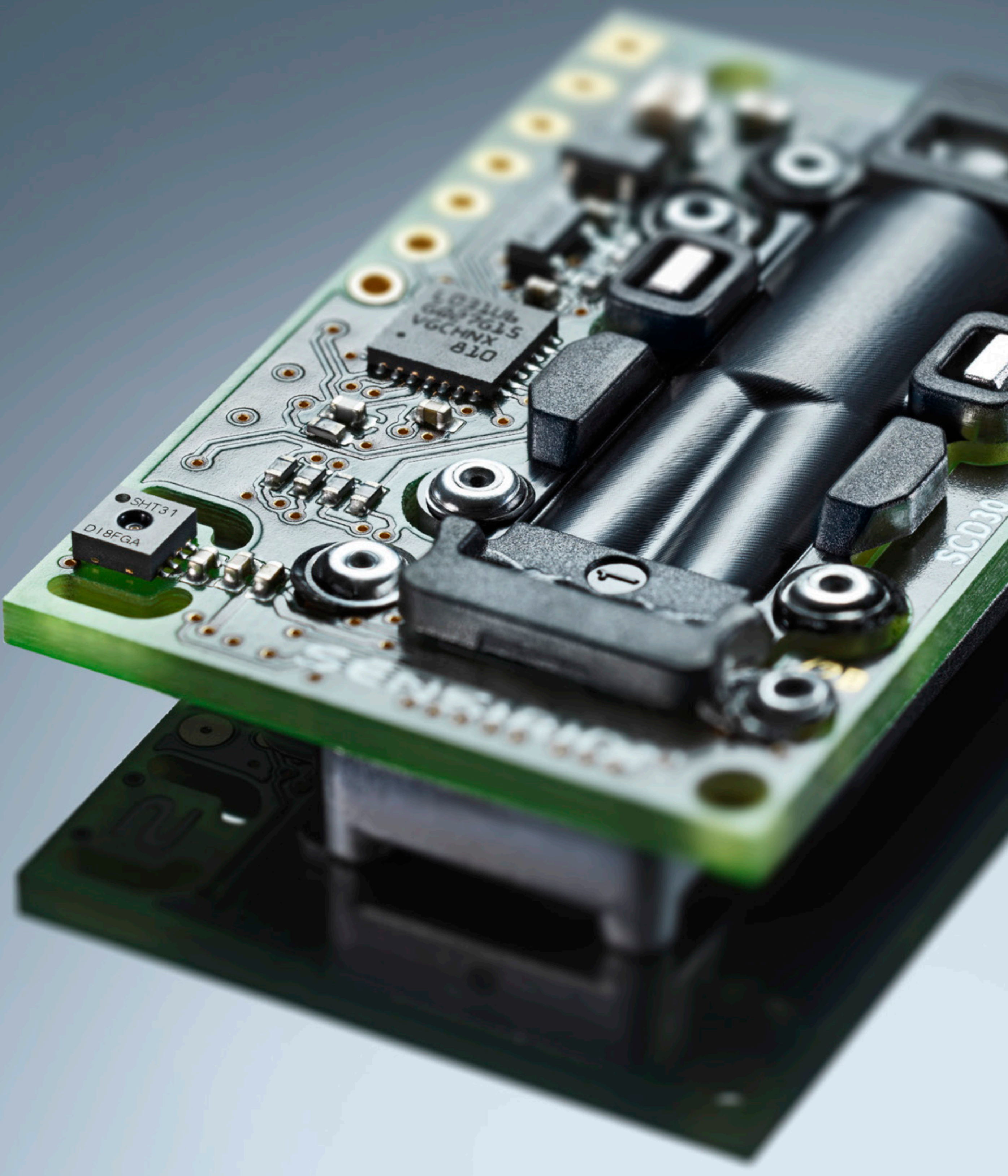
Juerg Meisterhans Licensed Audit Expert Auditor in Charge	Patrick Biedermann Licensed Audit Expert

Zurich, 6 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

CO_2 Sensor Modules

Accurate and reliable CO_2 monitoring enables our customers to increase energy efficiency and well-being.



Financial Report

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Consolidated Financial Statements

Consolidated Income Statement

In thousands of CHF, for the year ended 31 December	Note	2018	Δ in %	2017
Revenue	7	**174,810**	**18.1 %**	**148,003**
Cost of sales		(81,768)		(62,965)
Gross profit		**93,042**		**85,038**
– as % of revenue		53.2 %		57.5 %
Other income	11	1,102		–
Research and development expenses		(36,290)		(39,535)
Selling and distribution expenses		(26,440)		(22,317)
Administrative expenses		(35,770)		(19,525)
Operating profit (loss)		**(4,356)**	**(219.0 %)**	**3,661**
– as % of revenue		(2.5 %)		2.5 %
Finance income	13	591		1,562
Finance costs	13	(2,309)		(2,801)
Share of profit (loss) of equity-accounted investees, net of tax		(583)		(236)
Profit (loss) before tax		**(6,657)**		**2,186**
Income taxes	19.1	270		(2,952)
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		**(6,387)**	**(733.8 %)**	**(766)**
– as % of revenue		(3.7 %)		(0.5 %)
Earnings per registered share				
Basic earnings per registered share (in CHF)	14	(0.45)		(0.07)
Diluted earnings per registered share (in CHF)	14	(0.45)		(0.07)
Earnings before interest, tax, depreciation, and amortization (EBITDA)				
Earnings before interest, tax, depreciation, and amortization (EBITDA)	12	**9,232**		**16,483**
– as % of revenue		5.3 %		11.1 %
Adjusted earnings before interest, tax, depreciation, and amortization (Adjusted EBITDA)	12	**27,823**		**26,202**
– as % of revenue		15.9 %		17.7 %

The notes on pages 75 to 118 are an integrated part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (OCI)

In thousands of CHF, for the year ended 31 December	Note	2018	Δ in %	2017
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		**(6,387)**	**(733.8 %)**	**(766)**
Remeasurements of defined benefit obligation	16.2	2,492		1,198
Equity investment at FVOCI – net change in fair value	27.2	(346)		–
Related tax	19.3	(429)		(240)
Items that will not be reclassified to profit or loss		**1,717**		**958**
Foreign operations – foreign currency translation differences	19.3	(3,122)		4,067
Available-for-sale financial assets – net change in fair value	27.2	–		1,082
Related tax	19.3	–		(216)
Items that are or may be reclassified to profit or loss		**(3,122)**		**4,933**
Other comprehensive income for the period, net of tax	19.3	**(1,405)**		**5,891**
Total comprehensive income for the period, attributable to owners of Sensirion Holding AG		**(7,792)**	**(252.0 %)**	**5,125**

The notes on pages 75 to 118 are an integrated part of these consolidated financial statements.

Consolidated Statement of Financial Position

In thousands of CHF	Note	31 December 2018	in %	restated* 31 December 2017	in %
Assets					
Cash and cash equivalents		53,938		9,393	
Trade receivables	23	22,140		21,135	
Prepaid expenses		2,245		1,513	
Other receivables	23	3,843		6,936	
Inventories	22	30,176		25,792	
Assets held for sale	11	–		6,511	
Total current assets		**112,342**	**52.3 %**	**71,280**	**40.5 %**
Property, plant, and equipment	20	64,840		66,736	
Right-of-use assets	18	11,066		11,067	
Financial assets	27.2	3,445		3,328	
Equity-accounted investees		3,214		3,796	
Intangible assets	21.1	14,271		13,913	
Goodwill*	21.2	5,737		5,936	
Total non-current assets		**102,573**	**47.7 %**	**104,776**	**59.5 %**
Total assets		**214,915**	**100.0 %**	**176,056**	**100.0 %**
Liabilities					
Trade payables		8,802		3,014	
Accrued expenses		4,320		2,404	
Employee benefits	15	4,393		3,464	
Lease liabilities	26.1/27.1	1,387		1,185	
Other liabilities		2,198		1,820	
Loans and borrowings	26	–		67,560	
Total current liabilities		**21,100**	**9.8 %**	**79,447**	**45.1 %**
Employee benefits	15	21,316		23,411	
Lease liabilities	26.1/27.1	9,978		9,993	
Deferred tax liabilities	19.4	2,088		2,235	
Total non-current liabilities		**33,382**	**15.6 %**	**35,639**	**20.3 %**
Total liabilities		**54,482**	**25.4 %**	**115,086**	**65.4%**
Equity					
Share capital		1,514		1,246	
Capital reserve		144,530		40,017	
Treasury shares reserve		(5,137)		(7,636)	
Translation reserve		1,022		4,144	
Revaluation reserve		1,856		2,133	
Retained earnings		16,648		21,066	
Total equity, attributable to owners of Sensirion Holding AG	24	**160,433**	**74.6 %**	**60,970**	**34.6 %**
Total liabilities and equity		**214,915**	**100.0 %**	**176,056**	**100.0 %**

* Goodwill was revised, see note 8.

The notes on pages 75 to 118 are an integrated part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of CHF	Note	Share capital*	Capital reserve	Treasury shares reserve	Translation reserve	Reval-uation reserve	Retained earnings	Total equity
		Attributable to owners of Sensirion Holding AG						
Balance at 1 January 2017		**1,246**	**14,503**	**(2,016)**	**77**	**1,267**	**20,874**	**35,951**
Profit (loss) for the period		–	–	–	–	–	(766)	(766)
Other comprehensive income for the period	19.3	–	–	–	4,067	866	958	5,891
Total comprehensive income for the period		**–**	**–**	**–**	**4,067**	**866**	**192**	**5,125**
Exchange of treasury participation certificates against ordinary shares		–	5,326	(5,326)	–	–	–	–
Repurchase of treasury shares and participation certificates		–	–	(1,681)	–	–	–	(1,681)
Sale of treasury shares and participation certificates		–	(1,387)	1,387	–	–	–	–
Effect of modification of cash-settled into equity-settled share-based payment plan	17.1	–	19,422	–	–	–	–	19,422
Equity-settled share-based payment transactions		–	2,153	–	–	–	–	2,153
Transactions with owners – contributions and distributions		–	**25,514**	**(5,620)**	**–**	**–**	**–**	**19,894**
Balance at 31 December 2017 (as reported)		**1,246**	**40,017**	**(7,636)**	**4,144**	**2,133**	**21,066**	**60,970**
Adjustment of initial application of IFRS 9, net of tax	2	–	–	–	–	–	(26)	(26)
Adjusted balance at 1 January 2018		**1,246**	**40,017**	**(7,636)**	**4,144**	**2,133**	**21,040**	**60,944**
Profit (loss) for the period		–	–	–	–	–	(6,387)	(6,387)
Other comprehensive income for the period	19.3	–	–	–	(3,122)	(277)	1,995	(1,405)
Total comprehensive income for the period		**–**	**–**	**–**	**(3,122)**	**(277)**	**(4,392)**	**(7,792)**
Capital increases		268	91,204	–	–	–	–	91,472
Repurchase of treasury shares and participation certificates		–	–	(66)	–	–	–	(66)
Sale of treasury shares and participation certificates		–	(2,508)	2,565	–	–	–	57
Equity-settled share-based payment transactions	17.1	–	15,817	–	–	–	–	15,817
Transactions with owners – contributions and distributions		**268**	**104,513**	**2,499**	**–**	**–**	**–**	**107,280**
Balance at 31 December 2018		**1,514**	**144,530**	**(5,137)**	**1,022**	**1,856**	**16,648**	**160,433**

* Unification of shares, see note 24.1

The notes on pages 75 to 118 are an integrated part of these consolidated financial statements.

Consolidated Statement of Cash Flows

In thousands of CHF, for the year ended 31 December	Note	2018	restated* 2017
Cash flows from operating activities			
Profit (loss) for the period		**(6,387)**	**(766)**
Adjustments for:			
– Depreciation, amortization, and impairment	18/20/21	15,354	19,015
– Loss (gain) on sale of intangible assets, property, plant, and equipment and asset held for sale		(887)	(137)
– Other non-cash expense (income)		(687)	121
– Net finance costs	13	1,718	1,239
– Share of loss (profit) of equity-accounted investees, net of tax		583	236
– Equity-settled share-based payment transactions		15,369	2,153
– Tax expense (income)	19	(270)	2,952
Changes in:			
– Trade and other receivables		(1,711)	(11,275)
– Prepaid expenses		(732)	(1)
– Inventories		(4,384)	(6,176)
– Trade and other payables		6,166	(149)
– Accrued expenses		1,916	584
– Employee benefits		1,166	3,946
Interest and bank charges paid	26	(488)	(629)
Income taxes paid		(132)	(345)
Short-term lease payments and payments for leases of low-value assets not included in the measurement of the lease liability	18	(158)	(205)
Net cash from operating activities		**26,436**	**10,563**
Cash flows from investing activities			
Acquisition of property, plant, and equipment	20	(9,410)	(11,018)
Proceeds from sale of property, plant, and equipment		613	296
Repayment of contingent consideration	8	3,724	–
Acquisition of business, net of cash acquired	8	–	(31,908)
Acquisition of financial assets		(463)	(162)
Acquisition of equity-accounted investees		–	(2,500)
Acquisition of intangible assets	21	(1,973)	(2,476)
Proceeds from sale of asset held for sale	11	6,591	–
Development expenditure	21	(2,754)	(3,250)
Net cash from investing activities		**(3,672)**	**(51,018)**
Cash flows from financing activities			
Payment of lease liabilities	18	(1,910)	(1,311)
Proceeds from issue of share capital		93,172	–
Transaction costs related to issue of share capital		(1,700)	–
Proceeds from loans and borrowings	26	–	38,914
Repayment of loans and borrowings	26	(67,560)	–
Repurchase of treasury shares and participation certificates		(66)	(1,681)
Net cash from financing activities		**21,936**	**35,922**
Net change in cash and cash equivalents		**44,700**	**(4,533)**
Cash and cash equivalents at 1 January		9,393	13,976
Effect of movements in exchange rates on cash held		(155)	(50)
Cash and cash equivalents at 31 December		**53,938**	**9,393**

* Goodwill was revised, see note 8.

The notes on pages 75 to 118 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 Reporting Entity

Sensirion Holding AG (the “Company”) is domiciled in Switzerland. The Company’s registered office is at Laubisrütistrasse 50, 8712 Stäfa. These consolidated financial statements comprise the Company, its subsidiaries (collectively the “Group” and individually “Group companies”), and their investments in equity-accounted investees.

Sensirion is one of the world’s leading manufacturers of digital microsensors and -systems. The product range includes gas and liquid flow sensors, differential pressure sensors, as well as environmental sensors for the measurement of humidity and temperature, volatile organic compounds (VOCs), carbon dioxide (CO_2), and particulate matter (PM2.5). Using Sensirion’s microsensor solutions, OEM customers benefit from the proven CMOSens® Technology.

2 Basis of Accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on 6 March 2019.

Details of the Group’s accounting policies are included in Notes 3 to 6.

This is the first set of the Group’s annual financial statements in which IFRS 9 Financial Instruments has been applied. The Group initially adopted the new standard from 1 January 2018. The new classification requirements included in IFRS 9 have not had a significant impact on the Group’s accounting for financial instruments. Please refer to Note 5.9.2 for information about the new classification and measurement requirements. Under the new standard, the Group has designated an equity investment which was classified as available-for-sale under IAS 39 as measured at FVOCI. Consequently, all fair value gains and losses are reported in OCI, no impairment losses are recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The carrying amount at 1 January 2018 of this financial asset remained unchanged compared to IAS 39. Furthermore, IFRS 9 replaced the “incurred loss” impairment model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortized cost. Please refer to Note 5.10.1 for information about the new impairment requirements. The corresponding decrease in retained earnings at 1 January 2018 amounted to CHF 26 thousand, net of tax.

A number of other new requirements are effective from 1 January 2018 but they do not have a material effect on the Group’s financial statements.

2.1 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Available-for-sale financial asset (IAS 39)	Fair value
Equity instruments at FVOCI (IFRS 9)	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation
Cash-settled share-based payment liabilities	Fair value
Contingent consideration assumed in a business combination	Fair value

2.2 Functional and Presentation Currency

These consolidated financial statements are presented in Swiss Francs (CHF), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3 Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 21 – Capitalization of development costs.
- Note 22 – Inventories.

3.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following Notes:

- Note 16 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 21 – Impairment test: key assumptions underlying recoverable amounts; and
- Note 27 – Determining the fair value of financial instruments on the basis of significant unobservable inputs.

3.3 Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 17 – Share-based payment arrangement; and
- Note 27 – Financial instruments.

4 Basis of Consolidation

4.1 Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

4.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The Company has direct or indirect control over the following subsidiaries.

For the year ended 31 December			2018			2017
Company, principal place of business		**Share capital**	**in %**		**Share capital**	**in %**
Sensirion AG, Stäfa (Switzerland)	CHF	2,000,000	100	CHF	2,000,000	100
Sensirion China Co. Ltd., Shenzhen (China)	RMB	1,260,000	100	RMB	1,260,000	100
Sensirion Inc., Chicago (USA)	USD	660,000	100	USD	660,000	100
Sensirion Japan Co. Ltd., Tokyo (Japan)	JPY	25,000,000	100	JPY	25,000,000	100
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	KRW	100,000,000	100	KRW	100,000,000	100
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	TWD	25,000,000	100	TWD	25,000,000	100
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	CHF	100,000	100	CHF	100,000	100
Sensirion Automotive Solutions Inc., Detroit (USA)	USD	250,000	100	USD	250,000	100
Sensirion Automotive Solutions Korea Co., Ltd., Seoul (South Korea)	KRW	15,000,000,000	100	KRW	15,000,000,000	100
Sensirion Automotive Solutions (Shanghai) Co., Ltd., Shanghai (China)	RMB	8,504,000	100	RMB	8,504,000	100
IRsweep AG, Stäfa (Switzerland)	CHF	166,667	33	CHF	166,667	33

4.3 Interests in Equity-Accounted Investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control over their financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

4.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.5 Foreign Currency

4.5.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

4.5.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into CHF at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

5 Significant Accounting Policies

5.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product to a customer. Our contracts generally include a standard warranty clause to guarantee that the products comply with agreed specifications.

Products	Nature, timing of satisfaction of performance obligations, and significant payment terms
Sensors	The Group sells its standardized sensors generally via purchase orders to customers (i.e. end customers and distributors) and recognizes revenue when the sensor is delivered to the customer. This generally occurs in accordance with the applicable Incoterms which are usually FCA (Free carrier named place of delivery) or DAP (Delivered at place). Variable consideration in contracts with customers such as early payment discounts are generally not constrained as the Group has experience with these type of contracts and the uncertainty about the amount of consideration is expected to be resolved over a short period of time. Customers usually pay within 30 to 60 days from the delivery of the products.

5.2 Employee Benefits

5.2.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.2.2 Cash-settled share-based payment transactions

The fair value of the amount payable to employees is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability is recognized as part of finance income or finance cost.

5.2.3 Equity-settled share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards, if any. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service condition, if any, is expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service condition at the vesting date.

5.2.4 Share-based payment transactions with settlement choice for the counterparty

When the counterparty has a choice of settlement in a share-based payment transaction, the Group grants a compound financial instrument which includes a debt component (i.e. the counterparty’s right to demand payment in cash) and an equity component (i.e. the counterparty’s right to demand settlement in equity instruments rather than in cash). The Group first measures the fair value of the debt component and then measures the fair value of the equity component. The fair value of the debt component is recognized over the vesting period, if any, as employee benefit expenses with a corresponding entry to cash-settled share-based payment liabilities, whereas the equity component is recognized as employee benefit expenses with a corresponding entry to capital reserves. At the date of settlement, the Group remeasures the cash-settled share-based payment to its fair value. If the counterparty chooses to receive equity instruments, the remeasured liability is transferred directly to capital reserves.

5.2.5 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

5.2.6 Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The Group considers risk-sharing features when calculating the defined benefit obligation for the Swiss pension plan. These features reflect the actual limit of the contributions that the Group is required to pay as well as the employees' share of the cost of the pension plan. The application of risk sharing is based on the formal terms of the Swiss pension plan which comprise the plan rules as well as the relevant laws, ordinances, and directives concerning the occupational benefits plans, in particular the provisions contained therein concerning funding and measures to be taken to eliminate pension fund deficits.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5.2.7 Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

5.3 Finance Income and Finance Costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- net interest costs on the defined benefit liability and other long-term employee benefits;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- net remeasurement gains and losses on cash-settled share-based payment liabilities.

Interest income or expense is recognized using the effective interest method.

5.4 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

5.4.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

5.4.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

5.5 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

5.6 Property, Plant, and Equipment

5.6.1 Recognition and measurement

Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant, and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment.

Any gain or loss on disposal of an item of property, plant, and equipment is recognized in profit or loss.

5.6.2 Subsequent expenditures

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

5.6.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant, and equipment for current and comparative periods are as follows.

Class	Years
Land	No depreciation
Buildings	20-40
Production facilities	2-8
Other property, plant, and equipment	4-5

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

5.7 Intangible Assets and Goodwill

5.7.1 Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Research and Development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Directly attributable borrowing costs are capitalized as part of the respective development costs. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Patents and trademarks

Patents, trademarks, and capitalized customer relationships that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

5.7.2 Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

5.7.3 Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful lives for current and comparative periods are as follows.

Class	Years
Patents and trademarks	10
Development costs	5
Software	4
Other intangible assets	4-10

Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

5.8 Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant, and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

5.9 Financial Instruments

5.9.1 Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

5.9.2 Financial assets – Classification and subsequent measurement

Policy applicable from 1 January 2018

The Group classifies non-derivative financial assets into the following categories: amortized cost and FVOCI – equity investment.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in OCI.

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost includes any loss allowances for expected credit losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

5.9.3 Financial liabilities

Financial liabilities are classified as measured at amortized. These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5.9.4 Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

5.9.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.10 Impairment

5.10.1 Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for other financial assets are measured at an amount equal to lifetime ECLs, unless the credit risk (i.e. the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group formulates a "base-case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held), or the financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment losses for trade receivables are recognized in "Selling and distribution expenses" in the consolidated income statement.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5.10.2 Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.11 Share Capital

5.11.1 Costs of an equity transaction
Incremental costs directly attributable to the issue or buy-back of shares, net of any tax effects, are recognized as a deduction from equity.

5.11.2 Repurchase and reissue of shares (treasury shares)
When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within the capital reserve.

5.12 Leases Where the Group Is a Lessee

Where the Group is a lessee, leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Since the interest rate implicit in the leases cannot be readily determined, the Group initially measures the lease liability at the present value of the future lease payments using the incremental borrowing rate at the commencement date as the relevant discount rate for the identified lease contracts.

At the commencement date, the Group measures the right-of-use asset at cost which includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

In terms of subsequent measurement, the following applies:

- right-of-use asset: the right of use asset is measured at cost less any depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.
- lease liability: the lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is subsequently increased to reflect the interest on the lease liability and reduced to reflect the lease payments made (and potentially remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments).

The Group depreciates right-of-use assets from the commencement date of the lease to whichever date is earlier, either the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the underlying asset is transferred to the Group, or if the Group is reasonably certain to exercise a purchase option, then the depreciation period runs to the end of the useful life of the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability or each period.

5.13 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The fair value of a liability reflects its non-performance risk.

A number of the Group’s accounting policies and disclosures require the determination of fair value (see Note 3.3).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

6 Standards, Interpretations, and Amendments Issued but Not yet Effective

The following new and revised standards and interpretations that may be relevant for the Group have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. Unless indicated otherwise, a preliminary assessment has been conducted by Sensirion management and the expected impact of each new or amended standard and interpretation is presented below.

	Effective date	Planned application by Sensirion Holding AG in reporting year
New standards or interpretations		
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	Reporting year 2019
Revision or amendments of standards and interpretations		
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	Reporting year 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019	Reporting year 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 6)	1 January 2020	Reporting year 2020

Based on a preliminary assessment, the new requirements will not have a significant impact on the consolidated financial statements. For IFRIC 23, the analysis has not yet been finalized.

7 Segment Reporting and Disaggregation of Revenue

7.1 Basis for Segmentation

The Group operates in one industry segment which encompasses the development, production, sales, and servicing of sensor systems, modules, and components. The allocation of resources and performance assessment is made at Group level. The Group's organization is not divided into business units, neither in the management structure nor in the internal reporting system.

7.2 Entity-Wide Disclosures and Disaggregation of Revenue

In thousands of CHF, for the year ended 31 December, and as % of revenue	2018		2017	
Revenue – Geographic information by countries				
Switzerland	3,782	2.2%	3,492	2.4%
USA	31,977	18.3%	26,596	18.0%
Germany	30,895	17.7%	29,211	19.7%
South Korea	22,366	12.8%	14,899	10.1%
China	21,352	12.2%	15,752	10.6%
Australia	18,058	10.3%	16,512	11.1%
Other foreign countries	46,380	26.5%	41,541	28.1%
Total	**174,810**	**100.0 %**	**148,003**	**100.0 %**

In thousands of CHF, for the year ended 31 December, and as % of revenue	2018		2017	
Revenue – Geographic information by region				
APAC	81,313	46.5%	68,718	46.4%
EMEA	56,266	32.2%	46,738	31.6%
Americas	37,231	21.3%	32,547	22.0%
Total	**174,810**	**100.0%**	**148,003**	**100.0%**

In thousands of CHF	31 Dec 2018		31 Dec 2017	
Non-current assets – Geographic information				
Switzerland	78,372	79.1%	82,050	80.9%
South Korea	17,199	17.3%	18,081	17.8%
China	3,189	3.2%	662	0.7%
USA	359	0.4%	654	0.6%
Other foreign countries	9	<0.1%	1	<0.1%
Total	**99,128**	**100.0%**	**101,448**	**100.0%**

The geographic information on revenues in the table above is based on the customers' location.

Revenue from one customer of the Group represented approximately CHF 17,862 thousand (2017: CHF 16,624 thousand) of the Group's revenue.

As an additional voluntary information, revenue is allocated to end markets as follows.

In thousands of CHF, for the year ended 31 December, and as % of revenue	2018		2017	
Revenue – per end market				
Automotive	53,921	30.8%	41,064	27.7%
Medical	38,555	22.1%	33,398	22.6%
Industrial	68,626	39.3%	60,283	40.7%
Consumer	13,708	7.8%	13,258	9.0%
Total	**174,810**	**100.0%**	**148,003**	**100.0%**

8 Business Combination

In September 2017, the Group acquired the automotive business of Auto Industrial Co., Ltd. ("AIC"), a leading South Korean supplier of automotive sensor modules, to strengthen the Group's competitive position as a sensor module manufacturer and further expand its global geographic footprint.

The provisional consideration transferred upon the acquisition of the automotive business of Auto Industrial Co., Ltd. contained contingent consideration which was subject to the settlement of customary acquisition conditions. As a result of obtaining additional information up to September 2018 about facts and circumstances that existed at the date of acquisition, the Group received an amount of KRW 558 million (equal to CHF 482 thousand at the date of acquisition and CHF 507 thousand at the date of cash flow) from the escrow account which reduces the provisional consideration transferred. Consequently and in accordance with the provisions on measurement-period adjustments in IFRS 3, the goodwill resulting from the business combination was adjusted retrospectively to CHF 10,731 thousand instead of CHF 11,213 thousand (before impairment loss, see Note 21); the consolidated statement of financial position at 31 December 2017 was restated for this effect.

Additionally, the Group received an amount of KRW 3,541 million (equal to CHF 3,053 thousand at the date of acquisition, CHF 3,281 thousand at 31 December 2017, and CHF 3,217 thousand at the date of cash flow), which was already included in other receivables at 31 December 2017 (see Note 23).

As a result of the above – at the date of acquisition – the final acquisition accounting is presented as follows.

In thousands of CHF	
Consideration transferred	
Cash paid	32,588
Thereof included in other receivables	(3,535)
Total consideration transferred	**29,053**
Fair value of assets (liabilities)	
Cash and cash equivalents	165
Trade and other receivables	1,137
Inventories	3,142
Asset held for sale	6,057
Property, plant, and equipment	7,940
Intangible assets	2,659
Trade and other payables	(1,123)
Employee benefits	(1,373)
Deferred tax liabilities	(282)
Total net identifiable assets	**18,322**
Goodwill before impairment loss (see Note 21)	**10,731**
Cash flow from acquisition	
Cash paid	32,588
Acquired cash and cash equivalents	(165)
Net cash outflow	**32,423**

Acquisition-related costs

The Group incurred acquisition-related costs of CHF 1,876 thousand in 2017. These costs were included in “Administrative expenses”.

Reason for goodwill and tax deduction

The goodwill was attributable mainly to the skills and technical talent of the acquired workforce and the synergies expected to be achieved from integrating the company into the Group’s existing sensor business. None of the goodwill recognized was expected to be deductible for tax purposes.

For the four months ended 31 December 2017, the acquired business contributed CHF 5,934 thousand revenue and CHF 1,371 thousand loss to the Group. Disclosure of the revenue and loss of the combined entity for 2017 as though the acquisition date for the acquisition had been as of 1 January 2017 cannot be provided practicably as there was no information available to the management for the remainder of the year due to the nature of the transaction.

Goodwill recognized in connection with this transaction amounted to CHF 10,731 thousand. Subsequently, the Group recognized a goodwill impairment loss in the amount of CHF 5,600 thousand (see Note 21).

Subsequent to the business combination, the former AIC subsidiaries Auto Electronic (Shanghai) Co., Ltd. and AIC USA Inc. were renamed to Sensirion Automotive Solutions (Shanghai) Co., Ltd. and Sensirion Automotive Solutions Inc. In addition, the Group established Sensirion Automotive Solutions Korea Co., Ltd. for the transfer of the other assets acquired in the business combination.

9 Expenses by Nature

In thousands of CHF	Note	**2018**	**2017**
Changes in inventories		4,384	9,318
Raw materials and consumables		(47,009)	(42,867)
Employee benefits	10	(101,296)	(73,819)
Depreciation, amortization, and impairment loss	18/20/21	(15,354)	(19,014)
Other		(20,933)	(17,960)
Total cost of sales, research, and development expenses, selling and distribution expenses, and administrative expenses		**(180,268)**	**(144,342)**

10 Employee Benefit Expenses / Personnel Costs

In thousands of CHF	Note	**2018**	**2017**
Wages and salaries		68,616	60,317
Social security contributions		7,054	2,994
Contributions to defined contribution plans		1,048	515
Post-employment defined benefit plans	16.2	3,186	4,660
Other long-term employee benefits		330	405
Share-based payment		15,369	2,153
Other employee benefit expenses		5,693	2,775
Total		**101,296**	**73,819**

11 Other Income

Other income in 2018 relates to gains on sale of fully depreciated equipment and on sale of assets held for sale. In terms of assets held for sale, management committed to a plan to sell a building and land which were acquired in the business combination in 2017. The sale was effective 27 December 2018, and a respective gain of CHF 280 thousand was recognized.

12 Adjusted EBITDA

Management uses EBITDA and Adjusted EBITDA as key performance indicators because it believes they provide a more accurate assessment of the Group's business operations than the most closely comparable IFRS measure, profit (loss) before tax, and management believes that they and similar measures are frequently used by securities analysts, investors, and other interested parties in evaluating companies in the Group's industry.

Management defines EBITDA as profit (loss) for the period before net interest expenses, income taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA, adjusted for net finance costs excluding net interest expenses, share of loss (profit) of equity-accounted investees, net of tax, impairment loss, and certain non-recurring items that management believes are not indicative of operational performance.

These non-recurring items are expenses from the IPO Loyalty Share Program, including social security expenses; expenses on social security relating to the gain in excess of formula value which were incurred in the course of the unification of the share capital prior to the initial public offering; other costs related to the initial public offering; past service credit on the defined benefit obligation; and costs (income) related to acquisitions.

In thousands of CHF, for the year ended 31 December	Note	**2018**	**2017**
Reconciliation of profit (loss) to Adjusted EBITDA for the period			
Profit (loss) for the period		**(6,387)**	**(766)**
Net interest expenses	13	535	882
Income taxes	19	(270)	2,952
Depreciation	18/20	11,578	11,056
Amortization	21	3,776	2,359
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		**9,232**	**16,483**
Adjusted for:			
– Net finance cost excluding net interest expenses		1,183	357
– Share of loss (profit) of equity-accounted investees, net of tax		583	236
– Past service credit on defined benefit obligation (1e Plan)	16.2	(1,971)	–
– Impairment loss on goodwill	21	–	5,600
– IPO Loyalty Share Program, including social security expenses	17.1	16,157	–
– Expenses on social security relating to the gain in excess of formula value		697	–
– Costs related to initial public offering		3,044	1,650
– Acquisition-related costs (income)		(1,102)	1,876
Adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA)		**27,823**	**26,202**

13 Net Finance Costs

In thousands of CHF	Note	2018	2017
Finance income			
Net foreign exchange gains		532	180
Net remeasurement gains on cash-settled share-based payment liabilities		–	1,335
Other financial income		59	47
Finance income		**591**	**1,562**

In thousands of CHF	Note	2018	2017
Finance costs			
Interest expense on loans and borrowings		(286)	(579)
Interest expense on lease liabilities		(249)	(303)
Net foreign exchange losses		(1,454)	(1,756)
Bank charges		(151)	(49)
Net interest costs of defined benefit plans	16	(168)	(92)
Other financial costs		(1)	(22)
Finance costs		**(2,309)**	**(2,801)**
Net finance costs recognized in profit (loss)		**(1,718)**	**(1,239)**

14 Earnings per Registered Share

Following the unification of ordinary shares of the Company on 8 March 2018 from previously three classes of ordinary shares (ordinary shares, voting shares, and participation certificates) into a single class of registered shares, the calculation of earnings per share has been based on the profit or loss attributable to shareholders as presented in the consolidated income statement and the weighted-average number of registered shares outstanding. As a result of applying IAS 33, the number of shares outstanding for the comparative period is adjusted as if the consolidation of shares without a corresponding change in resources had occurred at the beginning of the earliest period presented (i.e. 1 January 2017).

14.1 Basic Earnings per Share

The weighted-average number of registered shares for the period ended 31 December 2018 for the purpose of calculating basic earnings per registered share amounts to 14,289,768 (2017: 11,293,370).

14.2 Diluted Earnings per Share

The calculation of diluted earnings per share has been based on the profit or loss attributable to ordinary shareholders as presented in the consolidated income statement and the weighted-average number of registered shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

The weighted-average number of registered shares for the purpose of calculating diluted earnings per registered share amounts to 14,289,768 (2017: 11,293,370). The effects of all potential ordinary shares is anti-dilutive.

15 Employee Benefits

In thousands of CHF	Note	31 December 2018	31 December 2017
Short-term employee benefits		4,393	3,464
Total employee benefit liabilities, current		**4,393**	**3,464**
Net defined benefit liability	16	18,482	21,072
Other long-term employee benefit liabilities		2,688	2,339
Cash-settled share-based payment liability		146	–
Total employee benefit liabilities, non-current		**21,316**	**23,411**

For details on the related employee benefit expenses, see Note 10.

16 Post-Employment Benefits

16.1 Defined Benefit Plans and Funding

The Group has pension plans in Switzerland and South Korea which qualify as defined benefit plans. The Swiss pension plan accounts substantially for the whole net defined benefit liability reflected in the statement of financial position.

Pension plan in Switzerland

The Swiss pension plan is governed by the rules of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which specifies the minimum benefits that are to be provided by pension plans and stipulates that such plans are to be managed by independent, legally autonomous units. The assets of the pension plan are held within a separate foundation and cannot revert back to the employer. Pension plans are overseen by a governmental supervisory body.

During 2018 the Group moved its pension plan from a fully insured plan to a solution with a collective pension fund without full reinsurance of risks, with effect from 1 January 2019. Compared to the old pension plan under the new solution, Sensirion might be required to pay restructuring contributions.

The Group's net defined benefit liability decreased by CHF 2,590 thousand, mainly caused by a reduction of the conversion rates applicable for the calculation of pension benefits effective as of 1 January 2019. A corresponding past service credit was recognized in the income statement as a result of this plan amendment. Additionally, plan assets were increased to reflect the improved statutory coverage ratio of the new pension plan as a result of the change. This resulted in a remeasurement gain of CHF 1,583 thousand that was recognized in other comprehensive income.

The Group companies based in Switzerland are affiliated to a collective foundation administrating the pension plans of various unrelated employers. The pension plan of the concerned Group companies is fully segregated from the ones of other participating employers.

The most senior governing body of the collective foundation is the board of trustees that consists of an equal number of employers' and employees' representatives of the affiliated entities. The responsibilities of the board of trustees include, among others, the determination of and changes to the pension plan regulations and determination of the financing. The board of trustees has an obligation to act solely in the interests of the plan beneficiaries.

Plan beneficiaries, their spouses and children are insured against the financial consequences of old age, death, and disability. The benefits are defined in the pension plan regulations that comply with the minimum requirements stipulated by the BVG. Retirement benefits are based on the accumulated retirement savings capital and can either be drawn as a life-long pension or as a lump sum payment. The pension upon retirement is calculated by multiplying the balance of the retirement savings capital with the applicable conversion rate. The retirement savings capital results from the yearly savings contributions by both employer and employee until retirement and carries interest thereon. The savings contributions are defined in the pension plan regulations. Minimum contributions and minimum interest are defined by the BVG and the Federal Council respectively.

Until 31 December 2018 all actuarial risks of the plan, e.g. longevity risk, risk of disability, or death-in-service and investment risk, were fully reinsured with an insurance company. A statutory deficit according to BVG was therefore not possible.

Under the old as well as under the new solution, based on the rules of the pension plan both the Group and the employees have an obligation to finance 50 % of the cost of the pension plan. This obligation can only be changed upon agreement with the Group.

The insurance company bearing the investment risk was responsible for the investment of the plan assets up to and including 31 December 2018. As a result, the assets of the pension plan consisted of a receivable due from the insurance company and other assets.

In thousands of CHF	**31 December 2018**	**31 December 2017**
Assets held by insurance company (Switzerland)	59,854	54,317
Others (Switzerland)	541	–
Others (South Korea)	1,172	1,131
Total	**61,567**	**55,448**

The Group expects to pay CHF 3,756 thousand in contributions to its defined benefit plans in the next financial year.

16.2 Movement in Net Defined Benefit Liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

In thousands of CHF	2018			2017		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Opening amount	**(76,520)**	**55,448**	**(21,072)**	**(66,455)**	**47,479**	**(18,976)**
Included in profit or loss						
Current service (cost)	(5,030)	–	(5,030)	(4,511)	–	(4,511)
Past service (costs) credit	1,971	–	1,971	–	–	–
Interest (cost) income	(653)	485	(168)	(441)	349	(92)
Administration expenses	–	(127)	(127)	–	(149)	(149)
Total Included in profit or loss	**(3,712)**	**358**	**(3,354)**	**(4,952)**	**200**	**(4,752)**
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
– changes in financial assumptions	1,016	–	1,016	846	–	846
– experience adjustments	(832)	–	(832)	67	–	67
Return on plan assets excluding interest income	–	2,308	2,308	–	285	285
Effect of movements in exchange rates	95	(43)	52	(660)	580	(80)
Total Included in OCI	**279**	**2,265**	**2,544**	**253**	**865**	**1,118**
Other						
Contributions paid by the employer	–	3,083	3,083	–	2,935	2,935
Contributions paid by plan participants	(2,249)	2,249	–	(2,732)	2,732	–
Benefits paid / received	2,153	(1,836)	317	(345)	345	–
Acquired through business combination	–	–	–	(2,289)	892	(1,397)
Total Other	**(96)**	**3,496**	**3,400**	**(5,366)**	**6,904**	**1,538**
Closing amount	**(80,049)**	**61,567**	**(18,482)**	**(76,520)**	**55,448**	**(21,072)**
Represented by						
Net defined benefit liability – Switzerland	(77,047)	59,795	(17,252)	(73,759)	54,317	(19,442)
Net defined benefit liability – South Korea	(3,003)	1,773	(1,230)	(2,761)	1,131	(1,630)

16.3 Actuarial Assumptions

The following were the principal actuarial assumptions for the Swiss pension plan at the reporting date.

In thousands of CHF	31 December 2018	31 December 2017
Switzerland		
Discount rate	0.95 %	0.80 %
Future salary increase	1.00 %	1.00 %
Employee share of cost of the pension plan	50.00 %	50.00 %
Mortality table	BVG 2015 GT	BVG 2015 GT

Based on the plan regulations which limit the Group's contributions to the plan to 50 % of the total contributions, past communications to the employees and the history of the cost split between Sensirion and its employees the Group assumed that its share in the ultimate cost of the Swiss pension plan is also limited to 50 % and that it does not have an additional constructive obligation. Based on the assumption that the plan continues to pay benefits and receive contributions as currently defined in the plan regulations and based on an implicit future return on plan assets equal to the discount rate, the calculation under IAS 19 shows that there is a structural deficit. This means that part of the benefits to be paid in the future is not financed by the plan assets and the future contribution from employer and employees. The Group assumed that the deficit is shared between the employer and the employees and that the Group's obligation is limited to 50 %. Sensirion believes that the fact that the collective foundation may withdraw from the affiliation contract with Sensirion does not change this assumption since a termination of the contract would not necessarily increase Sensirion's legal and constructive obligation. The allocation of the deficit between employer and employees was performed for each active member. The part of the deficit relating to past service years reduced the DBO of the active members at the balance sheet date and the part relating to future service years will reduce future service costs. At 31 December 2018, the weighted-average duration of the defined benefit obligation was 21.3 years (2017: 22.2 years).

16.4 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation of the Swiss pension plan by the amounts shown below.

	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 % movement) – Switzerland	(2,061)	2,253	(2,298)	2,100
Future salary growth (0.5 % movement) – Switzerland	1,257	(1,175)	2,074	(1,954)
Future mortality (1 % movement)	n/a	n/a	n/a	n/a

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Without the application of risk-sharing assumptions for the Swiss pension plan, the net defined benefit liability in Switzerland would amount to CHF 22,957 thousand (2017: CHF 24,563 thousand,) and the service costs for Switzerland would amount to CHF 4,959 thousand (2017: CHF 4,555 thousand).

17 Share-Based Payment Arrangement

17.1 Description of Share-Based Payment Arrangements

At 31 December 2018, the Group had the following share-based payment arrangements.

IPO Loyalty Share Program (equity-settled and cash-settled)

In March 2018, the Group established a program under which restricted share units (RSU) are granted to its employees. The amount of RSU under the plan is allocated to the participants in relation to the accumulated bonus amounts of each employee. Under the terms of the plan, 50 % of the allocated amount of RSU vest if the employee has not resigned or if the Group has not terminated the services of the employee by 15 January 2019. The remaining 50 % of the allocated RSU vest at 15 January 2020 if the employee is not under notice by that time. The RSU are directly converted into registered shares of the Company upon vesting for a payment of a conversion price CHF 0.10 each.

If the allocation to an individual employee amounts to less than 200 RSU, a corresponding cash amount replaces the respective RSU.

The Group granted 560,267 RSU under the IPO Loyalty Share Program. The fair value of one RSU at grant date amounts to CHF 35.90, whereas the amount that is paid in cash is remeasured throughout the vesting period and eventually upon settlement and amounts to CHF 42.15 for a RSU equivalent at 31 December 2018. The grant date fair value of one RSU is derived from the book-building process ahead of the IPO of the Company. For the IPO Loyalty Share Program, the Group recognized an employee benefit expense of CHF 16,157 thousand (including social security expenses of CHF 2,399 thousand) in 2018.

Bonus and Restricted Share Unit Plan (settlement choice for employees and equity-settled for members of the Executive Committee)

In 2018, the Group established a recurring bonus program under which an eligible employee who has not given or received notice of termination may choose between the payment of its annual bonus entirely in cash ("Cash Bonus") or entirely in shares of the Company and additional RSU ("Equity Bonus"); provided that the employee has not been given notice of termination for cause by its employer. For the Equity Bonus, the number of shares is determined by dividing the bonus amount by the average price of the Company's shares on the SIX Swiss Exchange over a period of time before the date of the allocation of the shares. Such shares may not be sold, otherwise transferred, pledged, or made object of hedging transactions for a period of three years after the end of the election period. The number of RSUs granted within the Equity Bonus will be determined by the Group in its sole discretion at the grant date, which generally corresponds to mid-December of the annual performance period. The RSUs vest over a period of three years starting from the end of the election period.

The number of shares granted to employees amounts to 50,593 and the number of RSU granted amounts to 12,648. The fair value of one share at grant date amounts to CHF 38.90 and the fair value of one RSU at grant date amounts to CHF 38.90. The values correspond to the listed share price of the Company's shares at grant date.

Contrary to employees, members of the Executive Committee have no settlement choice, they will receive their annual bonus entirely in the form of an Equity Bonus. Approval of the aggregate amount of variable compensation for the Executive Committee by Sensirion Holding AG's annual general meeting pursuant to the articles of association of the Company is required. All other conditions are similar to the other employees.

The number of shares granted to members of the Executive Committee amounts to 3,588 and the number of RSUs granted amounts to 3,588. The estimated fair value of one share at grant date amounts to CHF 42.15 and the estimated fair value of one RSU at grant date amounts to CHF 42.15. The values correspond or are derived from the listed share price of the Company's shares at 31 December 2018. These estimated fair values will be updated to reflect the circumstances at the date of the next annual general meeting.

For 2018, the Group granted a total annual bonus amount of CHF 4,376 thousand (CHF 1,613 thousand as cash bonus and CHF 2,763 thousand as equity bonus).

At 31 December 2017, the Group had the following share-based payment arrangement.

Legacy bonus plan (until end of December 2017)

Since the year 2000, the Group's employees had the right to receive their annual bonus amount either in cash or, partially or fully, in options on participation certificates. Previously, up to the year 2000, the employees had the right to receive their bonus in options on ordinary shares; all options on ordinary shares were exercised into ordinary shares by the year 2000. Each option on participation certificates allowed the holder to convert it into one participation certificate in exchange for an exercise price amounting to the nominal value of the participation certificate (CHF 0.10). The options on participation certificates were exercisable after two months from the grant date and had an option life of 11 years from the grant date.

Until the end of November 2017 when the arrangement was modified (see below), the participation certificates and ordinary shares eventually issued under the share-based payment arrangement included a call option for the Group to repurchase the equity instruments in the case of the employee leaving the Group. The call option was exercisable within six months from the termination of employment. The exercise price of the call options was determined bi-annually based on a pre-determined formula which considered actual and forecasted operating profits as well as actual and forecasted research and development expenses. Due to the past practice of the Group to settle the share-based payment arrangement in cash, it was classified as cash-settled until the end of November 2017. In addition, the ordinary shares that were issued under bonus arrangements included a put option for the holder that was exercisable at any time until end of November 2017. By the end of November 2017, the Group suspended its call option rights and the counterparties waived their put option rights. This modification changed the classification of the arrangement from a cash-settled to an equity-settled plan at the modification date at the end of November 2017. This modification resulted in the derecognition of the cash-settled share-based payment liability, which was ultimately remeasured at the modification date, with a counter-entry to equity (capital reserve) in the amount of CHF 19,422 thousand. No incremental fair value was granted as part of the modification.

Since December 2017, the share-based payment arrangement under which the Group's employees have the right to receive their annual bonus amount either in cash or, partially or fully, in participation certificates was classified as equity-settled share-based payment.

17.2 Outstanding Instruments at the Reporting Date

Details on the number of instruments outstanding under the share-based payment arrangements at the reporting date are as follows.

In units	31 December 2018	31 December 2017
Options on participation certificates	–	2,479
Restricted share units – IPO Loyalty Share Program	527,863	–
Restricted share units – Bonus and Restricted Share Unit Plan	16,236	–

The call option on participation certificates and ordinary shares was suspended by the Group while the counterparties waived their put option rights on ordinary shares end of November 2017 (see Note 17.1).

17.3 Reconciliation of Outstanding RSU and Options on Participation Certificates

The number and weighted-average exercise prices of RSU and participation certificate options under the share-based payment arrangements were as follows.

	2018				2017	
In options	Number of RSU	Weighted-average exercise price (in CHF)	Number of options on participation certificate	Weighted-average exercise price (in CHF)	Number of options on participation certificates	Weighted-average exercise price (in CHF)
Outstanding at 1 January	–	–	2,479	0.10	3,556	0.10
Exercised during the year	–	–	(2,479)	0.10	(80,477)	0.10
Granted during the year	576,503	0.10	–	–	79,400	0.10
To be settled in cash (< 200 RSU)	(17,188)	0.10	–	–	–	–
Forfeited during the year	(15,216)	0.10	–	–	–	–
Outstanding at 31 December	**544,099**	**0.10**	**–**	**–**	**2,479**	**0.10**
Exercisable at 31 December	–	–	–	–	2,479	0.10

The RSU outstanding at 31 December 2018 had an exercise price of CHF 0.10 and a weighted-average contractual life of 0.66 years.

The options outstanding at 31 December 2017 – all of which were exercised in 2018 – had an exercise price of CHF 0.10 and a weighted-average contractual life of 2.7 years. The weighted average participation certificate price at the date of exercise for participation certificate options exercised in 2018 was CHF 19.92 (2017: CHF 21.31).

17.4 Measurement of Fair Values of Equity-Settled Share-Based Payment Plan in 2017

For 2017, the Group's employees had the right to receive their annual bonus amount in cash or, partially or in full, in participation certificates. The fair value of participation certificates granted at 31 December 2017 under the equity-settled arrangement (see Note 17.1) amounted to CHF 19.92. The fair value was measured based on a valuation of the Group. No dividends were incorporated into the measurement of fair value.

18 Leases

18.1 Amounts Reflected in the Financial Statements

In addition to the lease liabilities presented in the consolidated statement of financial position, the following amounts relate to leases in that statement.

In thousands of CHF	31 December 2018	31 December 2017
Right-of-use assets		
Buildings	11,036	11,051
Cars	30	16

The consolidated income statement shows the following amounts related to leases.

In thousands of CHF	2018	2017
Depreciation charge of right-of-use assets		
Buildings	1,599	1,187
Cars	19	16
Expenses		
Related to short-term leases/low-value asset leases	158	205

Further information relating to leases are as follows.

In thousands of CHF	2018	2017
Total cash outflows for leases	1,910	1,516
Additions to right-of-use assets	1,617	1,644

18.2 Short-term Leases and Leases of Low-Value Assets

The Group applies the short-term lease and leases of low-value assets exemption. Short-term leases are leases with a lease term of 12 months or less from the commencement date and without a purchase option. Low-value assets relate to equipment and small items of office furniture where their individual asset value is less than CHF 5 thousand when new.

19 Income Taxes

19.1 Tax Income (Expense) in the Period

In thousands of CHF	Note	2018	2017
Current tax expense		**(306)**	**(399)**
Origination and reversal of temporary differences		(92)	(1,573)
Recognition of previously unrecognized tax losses	19.5	668	–
Derecognition of previously recognized deductible tax losses		–	(980)
Deferred tax income (expense)	19.4	**576**	**(2,553)**
Total		**270**	**(2,952)**

19.2 Reconciliation of Effective Tax Rate

The Group's tax rate of 20 % reflects the weighted average tax rate applicable to results of the consolidated Group companies.

In thousands of CHF	Note	2018	2017
Profit (loss) before tax		**(6,657)**	**2,186**
Tax using the Group's tax rate of 20 %		1,331	(437)
Tax effect of			
– Non-deductible expenses		(302)	(853)
– Effect of companies with mixed tax rates		(420)	360
– Current year losses not recognized	19.5	(317)	(668)
Recognition of previously unrecognized tax losses	19.5	668	–
Derecognition of previously recognized deductible tax losses		–	(980)
Excess taxes deduction recognized in equity		(448)	–
Other		(242)	(374)
Income taxes		**270**	**(2,952)**

19.3 Amounts Recognized in Other Comprehensive Income

The tax (expense) credit relating to components of the other comprehensive income is as follows.

In thousands of CHF	Before tax	Tax (expense) credit	After tax
2018			
Remeasurement of net defined benefit obligation	2,492	(498)	1,994
Foreign operations – foreign currency translation differences	(3,122)	–	(3,122)
Equity investments at FVOCI – net change in fair value	(346)	69	(277)
Other comprehensive income	**(976)**	**(429)**	**(1,405)**
2017			
Remeasurement of net defined benefit obligation	1,198	(240)	958
Foreign operations – foreign currency translation differences	4,067	–	4,067
Available-for-sale financial assets – net change in fair value	1,082	(216)	866
Other comprehensive income	**6,347**	**(456)**	**5,891**

19.4 Movement in Deferred Tax Balances

In thousands of CHF	Net balance at 1 January	Recognized in profit or loss	Recognized in OCI	Acquired in business combination	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
2018							
Trade receivables	(756)	(94)	–	–	(850)	–	850
Inventories	(1,545)	(296)	–	–	(1,841)	–	1,841
Property, plant, and equipment	(2,889)	(154)	–	–	(3,043)	–	3,043
Right-of-use assets	(2,213)	–	–	–	(2,213)	–	2,213
Financial assets	(467)	(66)	69	–	(464)	–	464
Equity-accounted investees	38	(38)	–	–	–	–	–
Intangible assets	(1,039)	(973)	–	–	(2,012)	–	2,012
Employee benefits (current)	–	(1,567)	–	–	(1,567)	–	1,567
Provisions	(910)	(94)	–	–	(1,004)	–	1,004
Lease liabilities	1,870	200	–	–	2,070	2,070	–
Employee benefits (non-current)	4,683	173	(498)	–	4,358	4,358	–
Tax losses carried forward	993	3,485	–	–	4,478	4,478	–
Tax assets (liabilities) before set-off	**9,819**	**576**	**(429)**	–	**(2,088)**	**10,906**	**12,994**
Set-off of tax	(7,584)				–	(10,906)	(10,906)
Net tax assets (liabilities)	**2,235**	**576**	**(429)**	–	**(2,088)**	–	**2,088**
2017							
Trade receivables	(536)	(220)	–	–	(756)	–	756
Inventories	(1,089)	(456)	–	–	(1,545)	–	1,545
Property, plant, and equipment	(3,253)	364	–	–	(2,889)	–	2,889
Right-of-use assets	(2,125)	(88)	–	–	(2,213)	–	2,213
Financial assets	(20)	(231)	(216)	–	(467)	–	467
Equity-accounted investees	(307)	345	–	–	38	38	–
Intangible assets	(533)	119	–	(625)	(1,039)	–	1,039
Accrued expenses	(935)	935	–	–	–	–	–
Provisions	65	(975)	–	–	(910)	–	910
Lease liabilities	2,109	(239)	–	–	1,870	1,870	–
Employee benefits	4,273	307	(240)	343	4,683	4,683	–
Tax losses carried forward	3,407	(2,414)	–	–	993	993	–
Tax assets (liabilities) before set-off	**1,056**	**(2,553)**	**(456)**	**(282)**	**(2,235)**	**7,584**	**9,819**
Set-off of tax	–					(7,584)	(7,584)
Net tax assets (liabilities)		**(2,553)**	**(456)**	**(282)**	**(2,235)**	**–**	**2,235**

19.5 Unrecognized Deferred Tax Assets

In thousands of CHF	31 December 2018		31 December 2017	
	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets
Expires in 4 years	1,587	317	–	–
Expires in 7 years or beyond	–	–	3,071	668
Total	**1,587**	**317**	**3,071**	**668**

20 Property, Plant, and Equipment

In thousands of CHF	Land and buildings	Production facilities	Under construction	Other	Total
Cost					
Opening amount 1 January 2018	**49,597**	**68,613**	**3,781**	**10,878**	**132,869**
Acquisitions through business combinations	–	–	–	–	–
Additions	605	2,538	4,407	1,860	9,410
Disposals	(736)	(1,640)	–	(99)	(2,475)
Reclassifications	361	618	(2,818)	2,046	207
Currency translation differences	(254)	(84)	(58)	(113)	(509)
Closing amount 31 December 2018	**49,573**	**70,045**	**5,312**	**14,572**	**139,502**
Accumulated depreciation and impairment					
Opening amount 1 January 2018	**11,570**	**47,105**	**–**	**7,458**	**66,133**
Depreciation	1,895	6,339	–	1,726	9,960
Disposals	(129)	(1,417)	–	(87)	(1,633)
Currency translation differences	(2)	221	–	(17)	202
Closing amount 31 December 2018	**13,334**	**52,248**	**–**	**9,080**	**74,662**
Total carrying amount	**36,239**	**17,797**	**5,312**	**5,492**	**64,840**
Carrying amount pledged as security for liabilities	**–**	**–**	**–**	**–**	**–**
Cost					
Opening amount 1 January 2017	**40,437**	**64,929**	**2,360**	**12,466**	**120,192**
Acquisitions through business combinations	6,867	831	139	103	7,940
Additions	1,896	5,810	2,452	860	11,018
Disposals	(800)	(3,477)	–	(3,383)	(7,660)
Reclassifications	131	496	(1,180)	554	1
Currency translation differences	1,066	24	10	278	1,378
Closing amount 31 December 2017	**49,597**	**68,613**	**3,781**	**10,878**	**132,869**
Accumulated depreciation and impairment					
Opening amount 1 January 2017	**10,637**	**43,875**	**–**	**8,872**	**63,384**
Depreciation	1,725	6,333	–	1,795	9,853
Disposals	(793)	(3,104)	–	(3,209)	(7,106)
Currency translation differences	1	1	–	–	2
Closing amount 31 December 2017	**11,570**	**47,105**	**–**	**7,458**	**66,133**
Total carrying amount	**38,027**	**21,508**	**3,781**	**3,420**	**66,736**
Carrying amount pledged as security for liabilities	**14,500**	**–**	**–**	**–**	**14,500**

Own development and construction costs in the amount of CHF 4,407 thousand (2017: CHF 2,452 thousand) have been capitalized within the category under construction.

21 Goodwill and Intangible Assets

21.1 Reconciliation of Carrying Amounts

In thousands of CHF	Total Goodwill	Patents and trademarks	Development costs	Software	Under construction	Other intangibles	Total intangible assets
Cost							
Opening amount 1 Jan 2018	**11,536**	**9,107**	**8,794**	**2,115**	**–**	**990**	**21,006**
Acquisitions through business combinations	–	–	–	–	–	–	–
Additions – internally developed	–	–	2,754	–	–	–	2,754
Additions – separately acquired	–	1,030	–	346	512	85	1,973
Disposals	–	(582)	–	–	–	–	(582)
Reclassifications	–	–	(333)	–	126	–	(207)
Currency translation differences	(386)	(317)	–	55	(2)	(3)	(267)
Closing amount 31 Dec 2018	**11,150**	**9,238**	**11,215**	**2,516**	**636**	**1,072**	**24,677**
Accumulated amortization and impairment							
Opening amount 1 Jan 2018	**5,600**	**2,922**	**3,052**	**623**	**–**	**496**	**7,093**
Amortization	–	1,063	1,862	595	–	256	3,776
Impairment loss	–	–	–	–	–	–	–
Disposals	–	(430)	–	–	–	–	(430)
Currency translation differences	(187)	(41)	–	1	–	7	(33)
Closing amount	**5,413**	**3,514**	**4,914**	**1,219**	**–**	**759**	**10,406**
Total carrying amount 31 Dec 2018	**5,737**	**5,724**	**6,301**	**1,297**	**636**	**313**	**14,271**
Cost							
Opening amount 1 Jan 2017*	**–**	**5,487**	**5,921**	**568**	**–**	**990**	**12,966**
Acquisitions through business combinations	10,731	2,659	–	–	–	–	2,659
Additions – internally developed	–	–	3,250	–	–	–	3,250
Additions – separately acquired	–	929	–	1,547	–	–	2,476
Disposals	–	(256)	(377)	–	–	–	(633)
Reclassifications	–	–	–	–	–	–	–
Currency translation differences	805	288	–	–	–	–	288
Closing amount 31 Dec 2017	**11,536**	**9,107**	**8,794**	**2,115**	**–**	**990**	**21,006**
Accumulated amortization and impairment							
Opening amount 1 Jan 2017	**–**	**2,430**	**2,011**	**491**	**–**	**248**	**5,180**
Amortization	–	596	1,383	132	–	248	2,359
Impairment loss	5,600	–	–	–	–	–	–
Disposals	–	(104)	(342)	–	–	–	(446)
Currency translation differences	–	–	–	–	–	–	–
Closing amount	**5,600**	**2,922**	**3,052**	**623**	**–**	**496**	**7,093**
Total carrying amount 31 Dec 2017	**5,936**	**6,185**	**5,742**	**1,492**	**–**	**494**	**13,913**

* Goodwill was revised, see Note 8.

The Group capitalizes development costs in relation to specific projects considering a number of criteria which are outlined in Note 5.7. Management applies judgment in applying those criteria to its projects, especially in assessing the probability of future economic benefits. Such probability is often linked to the technical feasibility of the products. The point in time at which the technical feasibility of completing the intangible assets is demonstrated can vary significantly between the individual projects. The assessment is jointly performed by the respective project leader and the Group's Vice President of Research and Development.

Development costs in the amount of CHF 2,754 thousand (2017: CHF 3,250 thousand) have been capitalized. Included in these development costs is an amount of CHF 22 thousand (2017: CHF 41 thousand) that represents borrowing costs capitalized during the year using a capitalization rate of 1.44 % (2017: 1.44 %).

21.2 Impairment Testing of Goodwill

Goodwill is allocated to the Group's CGUs as follows.

In thousands of CHF	31 December 2018	31 December 2017*
CGU Sensors	–	–
CGU Automotive Solutions	5,737	5,936
Total Goodwill	**5,737**	**5,936**

* Goodwill was revised, see Note 8.

Impairment test on CGU Automotive Solutions

The CGU automotive solutions comprises the sensor and module business of AIC, acquired in 2017, which encompasses the design, manufacturing, and sale of sensor modules for the automotive industry and a sales team in Switzerland. Its key products are auto-defogging sensors (ADS), air quality sensors (AQS), and carbon dioxide (CO_2) sensors.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

In 2018 the recoverable amount of the CGU Automotive Solutions is higher than its carrying amount. Therefore, no impairment loss was recognized in 2018.

In 2017 the carrying amount of the CGU was determined to be higher than its recoverable amount of CHF 24,707 thousand and an impairment loss of CHF 5,600 thousand during 2017 was recognized. The reason was that the Group was acquiring also AIC's pressure sensor business which, from the outset, it did not intend to use for strategic reasons since the Group already exited the absolute pressure sensor business in 2016. This exclusion is reflected in the business plan of the CGU Automotive Solutions underlying the value-in-use calculation. The impairment loss was fully allocated in 2017 to goodwill and included in "Research and development expenses" in the income statement. Following the impairment loss recognized in 2017 in the CGU Automotive Solutions, the recoverable amount was equal to the carrying amount.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The key assumptions used in the estimation of the recoverable amount are disclosed in the table below.

In percent	31 December 2018	31 December 2017
Discount rate	14.70 %	12.80 %
Terminal growth rate	2.50 %	2.00 %

The discount rate was a pre-tax measure based on observable weighted average cost of capital (WACC) of comparable companies in the relevant market.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product (GDP) rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth.

21.3 Amortization

The amortization of patents, trademarks, and development costs is included in "Research and development expenses". The amortization of customer relationships is included in "Cost of sales".

22 Inventories

In thousands of CHF	31 December 2018	31 December 2017
Purchased parts	11,406	12,149
Semi-finished and finished goods	17,369	9,227
Work in progress	4,137	6,405
Total	**32,912**	**27,781**
Allowance on purchased parts	(295)	(871)
Allowance on semi-finished and finished goods	(2,441)	(1,118)
Total	**(2,736)**	**(1,989)**
Total Inventories	**30,176**	**25,792**

The valuation of work in progress, semi-finished and finished goods is underlying management judgment with regards to planned production capacities which impact standard costs. As valuation allowances are calculated based on historical experience as well as management's judgment, this directly affects the carrying amount of inventories.

In 2018, inventories of CHF 42,625 thousand (2017: CHF 33,549 thousand) were recognized as an expense and included in "Cost of sales".

In addition, during 2018 inventory allowances were increased by CHF 747 thousand (2017: reduced by CHF 1,307 thousand).

23 Trade and Other Receivables

In thousands of CHF	31 December 2018	restated* 31 December 2017
Trade receivables, gross	22,230	21,138
Allowance for doubtful receivables	(90)	(3)
Total trade receivables	**22,140**	**21,135**
Non-income tax receivables	2,351	2,066
Social security	50	3
Escrow	–	3,799
Other	1,442	1,068
Total other receivables	**3,843**	**6,936**

* Goodwill was revised, see Note 8.

Trade receivables result from transactions in the ordinary course of business where Sensirion has provided goods and has a right to receive the payment.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 27.

24 Equity

24.1 Share Capital

The Company unified its share capital in advance of its IPO at a general meeting on 8 March 2018. Previously, the Company had three different classes of ordinary shares (ordinary shares, voting shares, participation certificates). As a result of the unification, the Company has solely registered shares with a nominal value of CHF 0.10. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

	2018			
In shares	Registered shares	Ordinary shares	Voting shares	Participation certificates
Total in issue at 1 January	–	**5,595**	**58,975**	**965,672**
Unification of shares	12,458,172	(5,595)	(58,975)	(965,672)
Capital increase	1,530,000	–	–	–
Capital increase from authorized share capital	1,152,000	–	–	–
Outstanding at 31 December	**15,140,172**	–	–	–

In shares and participation certificates	2017 Ordinary shares	Voting shares	Participation certificates
In issue at 1 January without call and/or put options	5,394	58,975	130,327
In issue at 1 January with call and/or put options	201	–	835,345
Total in issue at 1 January	**5,595**	**58,975**	**965,672**
Issued from conditional participation capital with call options	–	–	–
Suspension of call and put options	201	–	835,345
Total in issue at 31 December	**5,595**	**58,975**	**956,672**

Until the end of November 2017, the participation certificates and ordinary shares eventually issued under the share-based payment arrangement (see Note 17) included a call option for the Group to repurchase the equity instruments in the case of the employee leaving the Group. In addition, the ordinary shares that were issued under bonus arrangements included a put option for the holder that was exercisable at any time until end of November 2017. By the end of November 2017, the Group suspended its call option rights and the counter-parties waived their put option rights.

In 2018, the Company increased its share capital by CHF 268 thousand which had the effect of increasing the capital reserve of CHF 96,283 thousand (premium). The corresponding cost for the capital increase that were deducted from the capital reserve amounted to CHF 5,079 thousand.

24.1.1 Registered shares

Holders of these shares which have a nominal value of CHF 0.10 are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

24.1.2 Ordinary shares (until unification of shares on 8 March 2018)

Holders of these shares which had a nominal value of CHF 100 were entitled to dividends as declared from time to time and were entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group were suspended until those shares were reissued.

24.1.3 Voting shares (until unification of shares on 8 March 2018)

Holders of these shares which had a nominal value of CHF 10 were entitled to dividends as declared from time to time and were entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group were suspended until those shares were reissued.

24.1.4 Participation certificates (until unification of shares on 8 March 2018)

Holders of these certificates which had a nominal value of CHF 0.10 were entitled to dividends as declared from time to time. These certificates did not entitle the holder to any voting rights. All rights attached to the Company's certificates held by the Group were suspended until those certificates were reissued.

24.1.5 Conditional capital

As of 31 December 2018, the Company's conditional capital amounts to CHF 347 thousand, encompassing 3,472,251 shares each with a nominal value of CHF 0.10 (31 December 2017: CHF 16 thousand encompassing 162,373 participation certificates with a nominal value of CHF 0.10 each) and reserved for the following purposes.

In shares	**2018**
Conditional share capital for employee participations	1,455,817
Conditional share capital for financing, acquisitions, and other purposes	1,455,817
Conditional share capital for employee participations in connection with the IPO loyalty share program	560,617
Total conditional share capital at 31 December	**3,472,251**

24.2 Nature and Purpose of Reserves

24.2.1 Capital reserve

The capital reserve comprises share premiums, the gain or loss on sale of treasury, the effect of modification of cash-settled to equity-settled plans, and the effects of equity-settled share-based payment transactions, including any tax effects such as excess tax deductions.

24.2.2 Treasury shares reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2018, the Group held 241,351 of the Company's registered shares (2017: 82 ordinary shares and 276,831 participation certificates).

During 2017, the Group has exchanged 303,000 of the Company's treasury participation certificates with call options against 303 ordinary shares with call and put options in a non-cash transaction. As a result of this transaction, the Group increased its treasury shares and participation reserve by CHF 5,326 thousand with a corresponding entry to the capital reserve.

24.2.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, including foreign currency differences on dedicated intra-group loans.

24.2.4 Revaluation reserve

The revaluation reserve relates to the fair value revaluation of equity investments at FVOCI, including income tax effects. In the comparative period, the reserve related to the fair value revaluation of available-for-sale financial assets, including tax effects.

24.2.5 Retained earnings

The retained earnings include the accumulated net profits of the Group and remeasurements of the net defined benefit liability, including income tax effects.

24.3 Dividends

Holders of registered shares participate in any dividends declared by the Company. The Company has not paid any dividends in the periods presented.

24.4 OCI Accumulated in Reserves, Net of Tax

In thousands of CHF	Note	Attributable to owners of Sensirion Holding AG Translation reserve	Revaluation reserve	Retained earnings	Total
2018					
Remeasurements of defined benefit liability	19.3	–	–	1,994	**1,994**
Foreign operations – foreign currency translation differences	19.3	(3,122)	–	–	**(3,122)**
Equity investments at FVOCI – net change in fair value	19.3	–	(277)	–	**(277)**
Total		**(3,122)**	**(277)**	**1,994**	**(1,405)**
2017					
Remeasurements of defined benefit liability	19.3	–	–	958	**958**
Foreign operations – foreign currency translation differences	19.3	4,067	–	–	**4,067**
Available-for-sale financial assets – net change in fair value	19.3	–	866	–	**866**
Total		**4,067**	**866**	**958**	**5,891**

25 Capital Management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may repay capital to shareholders, issue new capital, or sell assets to reduce debt.

By ensuring the Group adheres to defined debt/equity ratio covenant limits and other covenants under the Group's financing arrangements, management meets the primary capital risk objective.

In thousands of CHF	Note	31 December 2018	31 December 2017
Total liabilities		(54,482)	(115,086)
Less: cash and cash equivalents		53,938	9,393
Net cash (debt)		**(544)**	**(105,693)**
Total equity		160,433	60,970
Net cash (debt) to equity ratio		**(0.3 %)**	(173.4 %)

26 Loans and Borrowings

In thousands of CHF	average nominal interest rate	31 December 2018	31 December 2017
Bank loans in CHF	1.35 %	–	66,000
Bank loans in USD	1.20 %	–	975
Bank loans in EUR	1.40 %	–	585
Total current loans and borrowings		**–**	**67,560**

26.1 Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

In thousands of CHF	Note	Liabilities Loans and borrowings	Lease liabilities
Balance at 1 January 2018		**67,560**	**11,178**
Changes from financing cash flows			
Payment of lease liabilities	18	–	(1,910)
Repayment from loans and borrowings		(67,560)	–
Total changes from financing cash flows		**(67,560)**	**(1,910)**
The effect of changes in foreign exchange rates		–	141
Other changes			
New leases		–	1,617
Interest expenses		286	375
Interest paid		(286)	(36)
Total other changes		–	**1,956**
Balance at 31 December 2018		–	**11,365**
Balance at 1 January 2017		**28,646**	**10,543**
Changes from financing cash flows			
Payment of lease liabilities	18	–	(1,311)
Proceeds from loans and borrowings		38,914	–
Total changes from financing cash flows		**38,914**	**(1,311)**
The effect of changes in foreign exchange rates		(52)	101
Other changes			
New leases		–	1,644
Interest expenses		579	303
Interest paid		(527)	(102)
Total other changes		**52**	**1,845**
Balance at 31 December 2017		**67,560**	**11,178**

27 Financial Instruments

27.1 Accounting Classifications and Fair Values

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at the reporting date, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As of 31 December 2018		Carrying amount				Fair value			
In thousands of CHF	Note	Financial assets at amortized cost	FVOCI – equity instru-ments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	27.2	–	3,445		**3,445**	**–**	**–**	3,445	**3,445**
Total financial assets measured at fair value		**–**	**3,445**	**–**	**3,445**	**–**	**–**	**3,445**	**3,445**
Financial assets not measured at fair value									
Trade receivables	23	22,140	–	–	**22,140**	–	–	–	**–**
Cash and cash equivalents		53,938	–	–	**53,938**	–	–	–	**–**
Total financial assets not measured at fair value		**76,078**	**–**	**–**	**76,078**	–	–	–	–
Financial liabilities not measured at fair value									
Trade payables		–	–	8,802	**8,802**	–	–	–	**–**
Lease liabilities	26.1	–	–	11,365	**11,365**	–	11,692	–	**11,692**
Total financial liabilities not measured at fair value		**–**	**–**	**20,167**	**20,167**	**–**	**11,692**	**–**	**11,692**

As of 31 December 2017		Carrying amount				Fair value			
In thousands of CHF	Note	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	27.2	–	3,328		**3,328**			3,328	**3,328**
Total financial assets measured at fair value		**–**	**3,328**	**–**	**3,328**	**–**	**–**	**3,328**	**3,328**
Financial assets not measured at fair value									
Trade and other receivables	23	27,553	–	–	**27,553**	–	–	–	–
Cash and cash equivalents		9,393	–	–	**9,393**	–	–	–	–
Total financial assets not measured at fair value		**36,946**	**–**	**–**	**36,946**	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value									
Trade and other payables		–	–	4,834	**4,834**	–	–	–	–
Bank loans	26	–	–	67,560	**67,560**	–	–	–	–
Lease liabilities	26.1	–	–	11,178	**11,178**	–	11,894	–	**11,894**
Total financial liabilities not measured at fair value		**–**	**–**	**83,572**	**83,572**	**–**	**11,894**	**–**	**11,894**

27.2 Measurement of Fair Values

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used and their inter-relationship with the fair value measurement for Level 3 fair values.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial instrument measured at fair value			
Equity securities	*Discounted cash flows:* the fair value is determined by discounting the estimated future cash flows of the investee using a rate of return that comprises the time value of money and the risk of the investment.	– Forecast annual revenue growth rate (2018: 1.2 % / 1.2 %, 2017: 0 %) – Forecast average EBITDA (2018: CHF 2,139 thousand / CHF 2,458 thousand, 2017: CHF 8,998 thousand) – Risk-adjusted discount rate (2018 10.00 % / 36.29 %, 2017: 24.14 %:)	The estimated fair value would increase (decrease) if: – the annual revenue growth rate were higher (lower); – the EBITDA were higher (lower); or – the risk-adjusted discount rate were lower (higher).
Financial instruments not measured at fair value			
Lease liabilities	*Discounted cash flows:* the valuation model considers the present value of expected payments, discounted using an incremental borrowing rate.	–	–

For the fair value of the equity securities – FVOCI and available-for-sale, respectively, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	OCI, net of tax			
Effect in thousands of CHF	**31 December 2018**		**31 December 2017**	
	Increase	Decrease	Increase	Decrease
Annual revenue growth rate (2018: 10 % movement)	850	(850)	n/a	n/a
Average EBITDA (2018: 10 % movement)	358	(358)	n/a	n/a

The following table shows a reconciliation in respect of recurring Level 3 fair values.

	2018	**2017**
In thousands of CHF	**Equity securities**	**Equity securities**
Opening amount	**3,328**	**2,084**
Acquisition of capital	463	162
Profit (loss) included in other comprehensive income	(346)	1,082
Closing amount	**3,445**	**3,328**

27.3 Financial Risk Management

The Group has exposure to credit risk, liquidity risk, and market risk arising from financial instruments which are further outlined below.

27.3.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's management is assisted in its oversight role by internal audits. Internal audits take place on both a regular and ad-hoc basis, the results of which are reported to the Group's management and the Company's board of directors.

27.3.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The cash and cash equivalents are held with financial institution counterparties which are rated "A+" and "A–" respectively based on Fitch ratings. At the reporting date of the current period these ratings haven't undergone a change.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. For trade receivables without a significant financing component, the Group uses the simplified approach under which IFRS 9 allows using an allowance matrix as a practical expedient for determining ECLs on trade receivables. Under this approach, Sensirion calculates historical loss rates based on days past due buckets. For calculating historical trend information, Sensirion uses average historical loss rates for the preceding three annual reporting periods. Loss rates are adjusted to the current economic conditions and via macroeconomic overlay to consider forward-looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

				31 December 2018
In thousands of CHF	ECL rate	Gross carrying amount trade receivables	Impairment allowance	Credit-impaired
Current (not past due)	0.02 %	17,206	(3)	No
1-30 days past due	0.04 %	4,453	(1)	No
31-60 days past due	0.91 %	389	(3)	No
61-90 days past due	4.58 %	182	(83)	Yes
Total		**22,230**	**(90)**	

Details of concentration of revenue are included in Note 7.

The maximum exposure to credit risk for trade receivables by geographic region was as follows.

In thousands of CHF	31 December 2018	31 December 2017
China	3,908	3,091
South Korea	3,771	7,943
Hong Kong	3,584	3,119
Germany	3,381	3,232
USA	2,155	1,786
Thailand	2,093	1,543
Japan	1,412	1,290
Switzerland	365	2,394
Other	1,471	3,673
Total	**22,140**	**28,071**

The Group maintains business relationships over a variety of geographical areas.

Comparative information under IAS 39

The ageing of trade and other receivables that were not impaired was as follows.

In thousands of CHF	31 December 2017
Neither past due nor impaired	16,297
1-30 days past due	9,678
31-60 days past due	1,915
61-90 days past due	181
Total	**28,071**

Movements in the loss allowance in respect of trade receivables

The movement in the loss allowance in respect of trade receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

Loss allowance details

	2018	2017	
In thousands of CHF	Individual Impairments	Individual Impairments	Collective Impairments
Balance at 1 January under IAS 39	**3**		
Adjustment on initial application of IFRS 9	11	6	–
Balance at 1 January under IFRS 9	**14**	**6**	**–**
Amounts written off	–	(3)	**–**
Net remeasurement of loss allowance	76	–	–
Balance at 31 December	**90**	**3**	**–**

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries. At 31 December 2018, the Company has issued a guarantee to certain banks in respect of credit facilities granted to Sensirion AG in the amount of CHF 40,000 thousand (2017: CHF 40,000 thousand).

27.3.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Within the frame of a rolling liquidity plan, Sensirion ensures that there is continuously sufficient liquidity to cover the short-term operational needs. Within the liquidity plan, Sensirion includes cash and cash equivalents, lines of credit, and possibilities to increase share capital.

The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2018, the expected cash flows from trade and other receivables maturing within two months were CHF 5,024 thousand (2017: CHF 11,775 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As part of the Group's liquidity management, lines of credit are maintained. The unused lines of credit amount to CHF 40,000 thousand as of 31 December 2018, to CHF 26,940 thousand as of 31 December 2017.

Credit lines used as of 31 December 2018 amount to CHF 0 thousand (31 December 2017: CHF 67,560 thousand).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
In thousands of CHF	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
As of 31 December 2018							
Non-derivative financial liabilities							
Trade payables	8,802	**8,802**	8,802	–	–	–	–
Lease liabilities	11,365	**12,745**	302	1,419	3,184	4,063	3,777
Total non-derivative financial liabilities	**20,167**	**21,547**	**9,104**	**1,419**	**3,184**	**4,063**	**3,777**
As of 31 December 2017							
Non-derivative financial liabilities							
Trade and other payables	4,834	**4,834**	4,834	–	–	–	–
Bank loans	67,560	**68,479**	38,213	30,266	–	–	–
Lease liabilities	11,178	**11,234**	198	987	1,427	6,432	2,190
Total non-derivative financial liabilities	**83,572**	**84,547**	**43,245**	**31,253**	**1,427**	**6,432**	**2,190**

27.3.4 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments.

Currency risk

The functional currencies of the Group companies are in the currency of the local legislation. The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, and borrowings are denominated and the respective functional currencies of the Group companies. The main exposure arises from sales transactions that are denominated in USD and EUR and where this deviates from the functional currency of the respective Group company.

Generally, cash flows generated by the underlying operations of the Group are primarily in USD, EUR, and CHF or in the currency of the local legislation. The Group's cash outflows are denominated mainly in CHF due to the significant amount of personnel costs generated in Switzerland. To a certain extent, there is an economic hedge by sourcing activities in USD and EUR.

The summary quantitative data about the Group's exposure to currency risk is as follows.

In thousands of CHF	USD	EUR	KRW
As of 31 December 2018			
Cash and cash equivalents	1,785	1,159	8,114
Trade receivables	7,779	5,919	3,127
Trade payables	2,188	2,115	449
Net statement of financial position exposure	**11,752**	**9,193**	**11,690**
As of 31 December 2017			
Cash and cash equivalents	2,017	963	876
Trade and other receivables	6,889	5,634	6,882
Bank loans	975	585	–
Trade and other payables	491	429	2,425
Net statement of financial position exposure	**10,372**	**7,611**	**10,183**

A reasonably possible strengthening (weakening) of above major currencies against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
In thousands of CHF	Strengthening	Weakening	Strengthening	Weakening
As of 31 December 2018				
EUR (10 % movement)	1,449	(1,449)	1,449	(1,449)
USD (10 % movement)	5,323	(5,323)	5,323	(5,323)
KRW (10 % movement)	–	–	2,313	(2,313)
As of 31 December 2017				
EUR (10 % movement)	2,980	(2,980)	2,980	(2,980)
USD (10 % movement)	5,952	(5,952)	6,001	(6,001)
KRW (10 % movement)	–	–	2,594	(2,594)

The following significant exchange rates have been applied.

In CHF	Average rate 2018	Average rate 2017	Year-end spot rate 2018	Year-end spot rate 2017
Euro (EUR) 1	1.1709	1.1131	1.1265	1.1691
US Dollar (USD) 1	0.9873	0.9979	0.9850	0.9753
South-Korean WON (KRW) 1,000	0.9018	0.8760	0.8956	0.9266

Sensirion has no significant interest-bearing financial assets. Therefore, the income is not exposed to significant interest rate risk. Furthermore, the tenure for fixing interest rates on financial liabilities are one year as maximum. Therefore, interest rate risk is not considered to be significant for the Group.

28 Related Parties

Transactions with key management personnel

Key management personnel compensation comprised the following.

In thousands of CHF	2018	2017
Short-term employee benefits	2,351	2,112
Post-employment benefits	453	323
Share-based payment	1,441	247
Other long-term employee benefits	–	22
Total	**4,245**	**2,704**

Compensation of the Group's key management personnel includes salaries, non-cash benefits, share-based payments, and contributions to a post-employment defined benefit plan.

29 Subsequent Events

No events took place between 31 December 2018 and 6 March 2019 that would require adjustments to the carrying amounts of the assets or liabilities in these consolidated financial statements or would need to be disclosed here.

Auditor's Report

KPMG

Statutory Auditor's Report

To the General Meeting of Sensirion Holding AG, Stäfa

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sensirion Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 70 to 118) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Revenue recognition

Inventory valuation

Pension plan in Switzerland

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Revenue recognition

Key Audit Matter

Revenue is the basis for evaluating the course of business of the Group and is thus a focus area of internal target setting and external expectations. These expectations create potential pressure on management to achieve the set targets, which leads to an increased risk in revenue recognition, in particular the risk that the accrual principle is not correctly applied.

Our response

We analysed the processes set up to ensure a correct application of the accrual principle. We identified internal controls with regards to revenue recognition and tested operating effectiveness of selected controls applying a sampling method.

Furthermore, we performed, amongst others, the following procedures:

— We evaluated the application of the accrual principle as of 31 December 2018 on a sample basis by comparing invoices to delivery papers and assessing the effect of incoterms.

— We inspected a sample of credit notes issued after year-end and evaluated whether the related adjustments to revenue had been recognised in the appropriate financial period.

— We assessed profit margins and deviation analyses for significant product groups and geographical markets, identifying significant or unusual deviations to prior year and to our expectations. We discussed such analyses with management and where appropriate corroborated with additional documentation.

— Additionally we identified transactions that deviated from the standard processes, such as entries by management or unusual counter-entries, for further investigation and validated the existence and accuracy of this population.

For further information on revenue recognition refer to the following:

— Note 5.1 to the consolidated financial statements

— Note 7 to the consolidated financial statements

Inventory valuation

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 30.2 million as at 31 December 2018. The valuation of work in progress, semi-finished and finished goods is underlying management judgements with regards to planned production capacities which impact standard costs.

The valuation allowances are set up based on historical experience and management's

Our response

Our audit procedures in this area included, amongst others:

— We challenged the Group's calculation of production costs. Relating to the allocation of overhead costs we compared the key parameters used in the calculation to underlying actual data, and we evaluated underlying labour costs by comparing actual rates to budget rates and the deviations thereof.

judgement on projected future sales and usage of inventory items. This judgement directly affects the carrying amount of inventories.

— We assessed the Group's historical experience on slow moving inventory items as compared to the amounts used in the calculation of allowances, and we evaluated consistency of application.

— We evaluated the Group's controls on the valuation of slow moving items by sample testing key controls for operating effectiveness.

For further information on inventory valuation refer to the following:

— Note 5.5 to the consolidated financial statements

— Note 22 to the consolidated financial statements

Pension plan in Switzerland

Key Audit Matter

Sensirion maintains a pension plan for its employees in Switzerland. Plan beneficiaries, their spouses and children are insured against the financial consequences of old age, death and disability by a Swiss collective foundation. Sensirion changed from a fully reinsured pension plan to a pension plan without reinsurance of actuarial risks effective 1 January 2019 (which is the basis for the calculation of the defined benefit obligation as at 31 December 2018).

The defined benefit obligation resulting from Sensirion's pension plan in Switzerland is calculated based on a number of financial and demographic assumptions. The most significant assumptions are the discount rate, expected rates of salary and pension increases, the interest rates on old age savings accounts and longevity. In accordance with Swiss regulations, Sensirion's assumptions also include the principle of risk sharing of the remaining IAS 19 deficit between employer and employee. The calculation of the employer's share of the deficit is based on, among other things, the history of the pension cost split between Sensirion and its employees.

Management determines these assumptions, which involve judgement that has a significant impact on the amount of the net defined benefit liability and cost recognised related to the pension plan.

Our response

Our audit procedures in this area included, amongst others:

— We assessed the completeness and accuracy of personnel data underlying the actuary's expert report by testing the input data on a sample basis.

— Supported by our specialists we analysed the conformity with IAS 19 of the allocation of the remaining deficit between the employer and employee by particularly taking into account the change in the terms of the plan. Further, we tested the consistent application of the risk sharing methodology.

— We critically assessed the determination of the employer's share of the remaining deficit based on Sensirion specific empirical information and assessments. Furthermore, we challenged management's other key assumptions used in the calculation of the actuary mandated by Sensirion. In doing so, we examined the methodology used to define the parameters and the consistency with prior year and compared these parameters with the range of observable market information.

— We used our own specialists to challenge the actuarial calculation. In addition, we assessed the competence and independence of the actuary engaged by Sensirion.

For further information on the pension plan in Switzerland refer to the following:

— Note 5.2.6 to the consolidated financial statements

— Note 16 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Juerg Meisterhans
Licensed Audit Expert
Auditor in Charge

Patrick Biedermann
Licensed Audit Expert

Zurich, 6 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Financial Statements of Sensirion Holding AG

Income Statement

In thousands of CHF, for the year ended 31 December	Note	2018	2017
Revenue from royalties	1.7	5,471	5,203
Total income		**5,471**	**5,203**
Personnel expenses		(404)	(426)
Other operating expenses	2.5	(8,808)	(1,925)
Impairment losses on investments		–	(5,600)
Amortization on intangible assets		(31)	(17)
Financial income	2.6	1,090	502
Financial expense	2.6	(955)	(185)
Income taxes		(13)	(216)
Total expenses		**(9,121)**	**(7,867)**
Profit (loss) for the year		**(3,650)**	**(2,664)**

Balance Sheet

In thousands of CHF	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents		19,742	2
Trade receivables			
– from companies in which the entity holds an investment		53	276
Other short-term receivables			
– from companies in which the entity holds an investment		7	–
Prepaid expenses and accrued income		130	–
Total current assets		**19,932**	**278**
Financial assets	2.1	98,256	57,270
Investments	2.2	17,013	17,426
Intangible assets		72	103
Total non-current assets		**115,341**	**74,799**
Total assets		**135,273**	**75,077**
Liabilities			
Trade payables			
– to third parties		121	–
Loans and borrowings		–	32,000
Other liabilities			
– to third parties		77	19
Accrued expenses		113	996
Total current liabilities		**311**	**33,015**
Equity			
Share capital		1,514	1,149
Participation certificate capital		–	97
Legal capital reserves	2.4		
– Reserves from capital contributions		112,489	16,205
– Other capital reserves		86	86
Legal retained earnings			
– General legal retained earnings		603	603
– Reserves for treasury shares		2,510	2,310
Voluntary retained earnings			
– Retained earnings brought forward		21,410	24,276
– Profit (loss) for the year		(3,650)	(2,664)
Total equity		**134,962**	**42,062**
Total liabilities and equity		**135,273**	**75,077**

Notes to Financial Statements of Sensirion Holding AG

1 Principles

1.1 General Aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Financial Assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized. Investments with a long-term investment purpose and less than 20 % capital rights are considered financial assets. Investments with long-term investment purpose with more than 20 % capital rights are considered investments.

1.3 Investments

Investments are accounted for at costs less any impairment losses.

1.4 Treasury Shares

Treasury shares are held in the subsidiary Sensirion AG.

1.5 Share-Based Payments

The purpose of the Bonus and Restricted Share Plan (see Note 17 of the Consolidated Financial Statements on pages 97 to 99) is to provide eligible employees with an opportunity to participate in the creation of long-term shareholder value of the Sensirion Group. Members of the Executive Committee shall be awarded their bonus in the form of an equity bonus only, not having the right to choose between a cash bonus and an equity bonus. Except for exceptions as determined by the Executive Committee, eligible employees who are awarded a bonus from time to time may choose between
(a) payment of the bonus in cash (the Cash Bonus); or
(b) payment of the bonus in shares of Sensirion Holding AG (Shares) and additional restricted share units (RSUs), in each case subject to the terms, conditions and restrictions set forth in the plan.

An eligible employee can only elect to receive either the full bonus in the form of a Cash Bonus or an Equity Bonus. The number of Shares to be awarded shall be determined by dividing the bonus amount by an average price of the Shares as quoted on the SIX Swiss Exchange over a period of time prior to the date of allocation of the Shares as determined by Sensirion Holding AG in its sole discretion, rounded down to the nearest full number of Shares. The number of RSUs to be awarded shall be determined by Sensirion Holding AG in its sole discretion.

In addition, in 2018, Sensirion Holding AG established the one-time IPO Loyalty Share Program (see Note 17 of the Consolidated Financial Statements on pages 97 to 99).

1.6 Foregoing a Cash Flow Statement and Additional Disclosures in the Notes

As Sensirion Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

1.7 Revenue from Royalties

Sensirion Holding AG charges their subsidiaries royalties. The royalties are based on the revenue that is generated by the subsidiaries using the patented technology of Sensirion Holding AG.

2 Disclosure on Balance Sheet and Income Statement Items

2.1 Financial Assets

In thousands of CHF, for the year ended 31 December	2018	2017
Clarity Movement, Co.	1,126	1,486
Other financial assets	300	–
Loans to subsidiaries	96,830	55,784
Total financial assets	**98,256**	**57,270**

Subordinated loans to subsidiary Sensirion Automotove Solutions AG amount to CHF 26,721 thousand.

2.2 Investments

In thousands of CHF, for the year ended 31 December		2018			2017		
a) Direct investments							
Company, location	**Purpose**		**Share capital**	**in %**		**Share capital**	**in %**
Sensirion AG, Stäfa (Switzerland)	Production, sales, development	CHF	2,000,000	100	CHF	2,000,000	100
Sensirion China Co. Ltd., Shenzhen (China)	Sales	RMB	1,260,000	100	RMB	1,260,000	100
Sensirion Inc., Chicago (USA)	Sales	USD	660,000	100	USD	660,000	100
Sensirion Japan Co. Ltd., Tokyo (Japan)	Sales	JPY	25,000,000	100	JPY	25,000,000	100
Sensirion Korea Co. Ltd., Anyang-Si (South Korea)	Sales	KRW	100,000,000	100	KRW	100,000,000	100
Sensirion Taiwan Co. Ltd., Hsinchu (Taiwan)	Sales	TWD	25,000,000	100	TWD	25,000,000	100
Sensirion Automotive Solutions AG, Stäfa (Switzerland)	Production, sales, development	CHF	100,000	100	CHF	100,000	100
IRsweep AG, Stäfa (Switzerland)	Development	CHF	166,667	33	CHF	166,667	33
b) Significant indirect investments							
Sensirion Automotive Solutions Inc., Detroit (USA)	Sales	USD	250,000	100	USD	250,000	100
Sensirion Automotive Solutions Korea Co., Ltd., Seoul (South Korea)	Production, sales, development	KRW	15,000,000,000	100	KRW	15,000,000,000	100
Sensirion Automotive Solutions (Shanghai) Co., Ltd., Shanghai (China)	Production, sales, development	RMB	8,504,000	100	RMB	8,504,000	100
Avantama AG, Stäfa (Switzerland)	Production, sales	CHF	165,873	10	CHF	154,776	10

2.3 Treasury Shares and Treasury Participation Certificates

Held by subsidiary Sensirion AG

In thousands of CHF, for the twelve months ended 31 December	2018	2017
Treasury shares nom. CHF 100		
Stock at 1 January	82	319
Book value at 1 January	1,735	1,341
Stock split in March 2018	82,000	–
Book value after stock split in March	1,735	–
Purchases	–	66
Purchase price	–	1,513
Sales	–	303
Selling price	–	1,119
Conversion of participation certificates into shares	159,351	–
Conversion price of participation certificates into shares	774	–
Stock at 31 December	241,351	82
Book value at 31 December	2,509	1,735
Treasury participation certificates nom. CHF 0.10		
Stock at 1 January	276,831	45,973
Book value at 1 January	575	675
Purchases	3,107	310,258
Purchase price	66	1,287
Sales	(120,587)	(79,400)
Selling price	133	(1,387)
Conversion of participation certificates into shares	(159,351)	–
Conversion price of participation certificates into shares	(774)	–
Stock at 31 December	–	276,831
Book value at 31 December	–	575

2.4 Legal Capital Reserves

The audit for the tax-accepted capital contribution reserves of the share capital increase of March 2018 will take place in the following year after the Annual General Meeting.

The increase of the reserves from capital contributions results from the IPO and have not been confirmed by the Federal Tax Authority yet. Therefore, the reserves from capital contributions may still change and needs to be considered as provisional.

2.5 Other Operating Expenses

Other operating expenses include expenses related to the IPO.

2.6 Financial Result

In thousands of CHF, for the year ended 31 December	2018	2017
Financial income	1,090	502
Financial expenses	(955)	(185)
Total	**135**	**317**

The financial income of CHF 1,090 thousand (prior year: CHF 502 thousand) comes mainly from interest from the loans to subsidiaries.

3 Other Information

3.1 Full-Time Equivalents

Sensirion Holding AG has no employees.

3.2 Collateral Provided for Liabilities of Third Parties

Collateral provided for liabilities of third parties amount to CHF 40,000 thousand (prior year: CHF 40,000 thousand). These are guarantees issued on behalf of subsidiaries.

3.3 Letter of Comfort

Sensirion Holding AG has undertaken to provide Sensirion Automotive Solutions AG (as a supplier to a customer) with the necessary financial resources on an ongoing basis. The obligation to provide financial resources amounts to EUR 4,500 thousand per calendar year and to a maximum total amount of EUR 45,000 thousand during the term of the contract. This contract may be terminated for the first time on 31 December 2046 with 12 months' notice.

3.4 Participation Certificates for Members of the Board and Employees

Value in thousands of CHF		2018		2017
	Quantity	Value	Quantity	Value
Allocated to the members of the Board of Directors	–	–	7,312	133
Allocated to employees (previous year including the Executive Committee)	–	–	110,796	2,020
Total	**–**	**–**	**118,108**	**2,153**

3.5 Equity-Settled Share-Based Payment Transactions

Value in thousands of CHF		2018		2017
	Quantity	Value	Quantity	Value
Allocated shares to employees excluding the EC	50,593	2,133	–	–
Allocated RSUs to employees excluding the EC	509,899	21,492	–	–
Total	**560,492**	**23,625**	**–**	**–**

3.6 Shares Held by Members of the Board of Directors and the Executive Committee

As of 31 December 2018, the members of the Board of Directors and the Executive Committee (including related parties) held the following number of shares and RSUs.

Board of Directors	**Shares**	**RSUs**
Dr. Moritz Lechner, Co-Chairman	871,900	–
Dr. Felix Mayer, Co-Chairman[1]	871,900	–
Ricarda Demarmels, member	–	–
Heinrich Fischer, member	103,381	–
Markus Glauser, member	24,740	–
Total Board of Directors	**1,871,921**	**–**

Executive Committee	**Shares**	**RSUs[2]**
Dr. Marc von Waldkirch, CEO	31,724	9,772
Dr. Johannes Bleuel, VP Operations	8,773	4,368
Matthias Gantner, CFO	8,277	3,570
Heiko Lambach, VP Human Resources	8,422	3,937
Dr. Andrea Orzati, VP Sales & Marketing	12,691	6,060
Dr. Johannes Schumm, VP Research & Development	5,690	2,905
Total Executive Committee	**75,577**	**30,612**

[1] Related parties: Including shares held by Fondation des Fondateurs, Zurich, Switzerland.

[2] Includes RSUs from the Bonus and Restricted Share Plan and the IPO Loyalty Share Program (see Note 1.5 on page 126).

3.7 Significant Shareholders

As of 31 December 2018, the following shareholders held more than 3 % of the shares.

Direct holder	**Shares**	**% of voting rights**
Moritz Lechner, Uerikon, Switzerland; Felix Mayer, Stäfa, Switzerland; Fondation des Fondateurs, Switzerland; 7-Industries Holding B.V., Amsterdam, Netherlands; EGS Beteiligungen AG, Zurich, Switzerland; Sensirion Holding AG[1]	5,260,164	34.7 %
Chase Nominees Ltd.[2]	956,005	6.3 %
Gottlieb Knoch, Zug, Switzerland	768,666	5.1 %
T. Rowe Price Associates, Inc., Baltimore, United States	580,128	3.8 %
Davent Holding AG, Zug, Switzerland[3]	552,200	3.7 %

[1] The beneficial owner of 7-Industries Holding B.V. is Mrs. Ruthi Wertheimer, Herzliya, Israel. The beneficial owner of EGS Beteiligungen AG, Zurich, Switzerland, is the Ernst Göhner Stiftung, Zug, Switzerland. The shareholders act in concert within the meaning of article 121 FMIA by virtue of a shareholders' agreement, as a result of which they, together with the Company, act in concert. Moritz Lechner, Felix Mayer, Fondation des Fondateurs, 7-Industries Holding B.V. and EGS Beteiligungen AG together hold 33.2 % of the voting rights.

[2] Pursuant to the share register holding shares as nominee for third party beneficial owners.

[3] The beneficial owner of Davent Holding AG is Dr. Thomas Knecht, Zug, Switzerland.

4 Significant Events After the Balance Sheet Date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities, or which should be disclosed here.

Proposed Appropriation of Available Earnings

In thousands of CHF	**2018**
Retained earnings brought forward	21,410
Net profit (loss) for the year	(3,650)
Available earnings	**17,760**

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings.

In thousands of CHF	**2018**
Balance to be carried forward	**17,760**

Auditor's Report

Statutory Auditor's Report

To the General Meeting of Sensirion Holding AG, Stäfa

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sensirion Holding AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 124 to 131) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of investments and long-term loans to subsidiaries

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1

Valuation of investments and long-term loans to subsidiaries

Key Audit Matter	Our response
The financial statements of Sensirion Holding AG as per 31 December 2018 include investments in subsidiaries in the amount of CHF 17.0 million and long-term loans to subsidiaries in the amount of CHF 96.8 million (thereof CHF 26.7 million subordinated). The company annually reviews investments and long-term loans to subsidiaries for impairment. In performing the impairment tests, management determined the recoverable amounts using a discounted cash flow model. The impairment assessment of investments and long-term loans to subsidiaries requires significant management judgment, in particular in relation to the forecast cash flows, future growth rates and the discount rates applied, and is therefore a key area that our audit was concentrated on.	Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests as well as the appropriateness of management's assumptions. This comprised: — Retrospectively assessing the accuracy of management's past projections by comparing historical forecasts to actual results. — Agreeing forecasts used in the impairment tests to current expectations of management and the business plans approved by the Board of Directors. — Challenging the robustness of key assumptions on a sample basis, including forecast cash flows, long-term growth rates and discount rates, based on our understanding of the commercial prospects of the respective investments and comparison with publicly available data if available.

For further information on investments and long-term loans to subsidiaries refer to the following:

— Note 2.1 to the financial statements

— Note 2.2 to the financial statements

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Juerg Meisterhans Licensed Audit Expert Auditor in Charge	Patrick Biedermann Licensed Audit Expert

Zurich, 6 March 2019

Shareholder Information

Valor symbol	SENS
Reuters symbol	SENSI.S
Bloomberg symbol	SENS.SW
Valor number	40,670,512
ISIN	CH 040 670512 6
End of fiscal year	31 December
Exchange	SIX Swiss Exchange
Trading currency	CHF
Listed since	22 March 2018
Number of issued shares (as recorded in the commercial register)	15,170,172
Nominal value	CHF 0.10
Accounting standard	IFRS (International Financial Reporting Standard)

Financial Calendar

14 May 2019	Annual general meeting
21 August 2019	2019 half-year results and interim report

Contact

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Disclaimer

Certain statements in this document are forward-looking statements, including, but not limited to, those using words such as “believe”, “assume”, “expect” and other similar expressions. Such forward-looking statements are based on assumptions and expectations and, by their nature, involve known and unknown risks, uncertainties, and other factors that could cause actual results, performance, or achievements to differ materially from those expressed or implied by the forward-looking statements. Such factors include, but are not limited to, future global economic conditions, changed market conditions, competition from other companies, effects and risks of new technologies, costs of compliance with applicable laws, regulations, and standards, diverse political, legal, economic and other conditions affecting markets in which Sensirion operates, and other factors beyond the control of Sensirion. In view of these uncertainties, you should not place undue reliance on forward-looking statements. Sensirion disclaims any intention or obligation to update any forward-looking statements, or to adapt them to future events or developments.

Certain financial data included in this document consist of “non-IFRS financial measures”. These non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. As a result, you are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included herein.

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