2019

Annual Report

SENSIRION

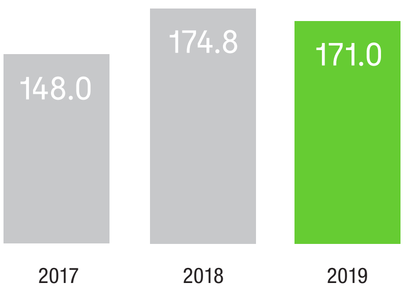
EXPERTS
FOR SMART SENSOR
SOLUTIONS

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.

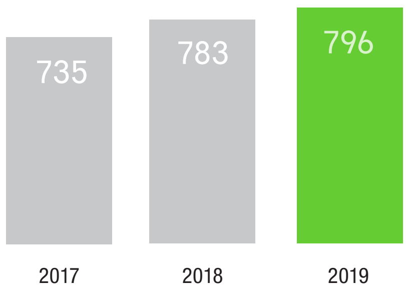
Founded in 1998 as a spin-off company of the Swiss Federal Institute of Technology in Zurich (ETH Zurich), Sensirion has 20 years of experience in creating best-in-class sensor solutions for a variety of demanding customer applications, including those in which the sensors perform mission-critical functions.

Key Figures

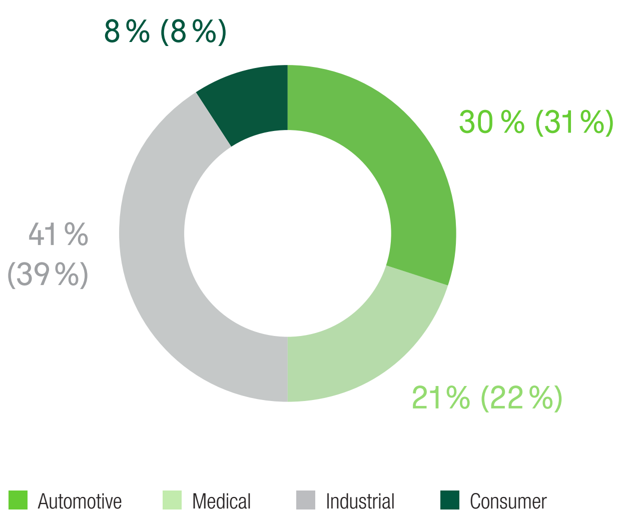
REVENUE (IN CHF MILLION)



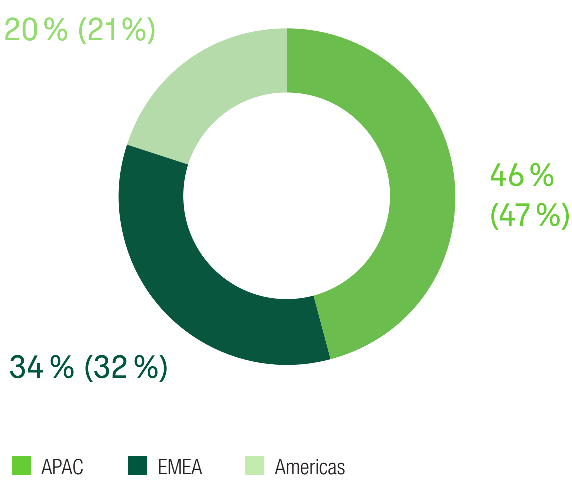
NUMBER OF EMPLOYEES (FTE) AS OF DEC 31



REVENUE BY MARKET 2019 (2018)



REVENUE BY REGION 2019 (2018)



171.0	REVENUE IN CHF MILLION
53.7%	GROSS MARGIN
12.0%	ADJUSTED EBITDA MARGIN
8.6	FREE CASH FLOW IN CHF MILLION

CHALLENGING 2019 DUE TO REDUCED DEMAND AND INCREASED VOLATILITY

BACK ON MODERATE GROWTH PATH IN SECOND HALF OF YEAR

MEDIUM AND LONG-TERM GROWTH PROSPECTS CONFIRMED

Key Figures

Consolidated, in millions of CHF	FY 2019	Δ in %	FY 2018
Revenue	**171.0**	**(2.2%)**	**174.8**
Gross profit	**91.8**		**93.0**
– as % of revenue	53.7%		53.2%
Operating profit (loss)	**(2.0)**	**(54.0%)**	**(4.4)**
– as % of revenue	(1.2%)		(2.5%)
Profit (loss) for the period	**(2.7)**	**(57.0%)**	**(6.4)**
– as % of revenue	(1.6%)		(3.7%)
Earnings per share (in CHF)	**(0.18)**		**(0.45)**
EBITDA[1]	**12.3**	**33.5%**	**9.2**
– as % of revenue	7.2%		5.3%
Adjusted EBITDA[2]	**20.4**	**(26.5%)**	**27.8**
– as % of revenue	12.0%		15.9%
Cash flow from operating activities	**25.7**		**26.4**
Capital expenditures[3]	**(17.2)**		**(13.5)**
Free cash flow[4]	**8.6**		**12.4**
	31 December 2019		**31 December 2018**
Total assets	**215.5**		**214.9**
Total liabilities	**59.3**		**54.5**
Total equity	**156.2**		**160.4**
Net cash (Net debt)[5]	**48.0**		**42.6**
Number of employees (FTE)	**796**	**1.7%**	**783**

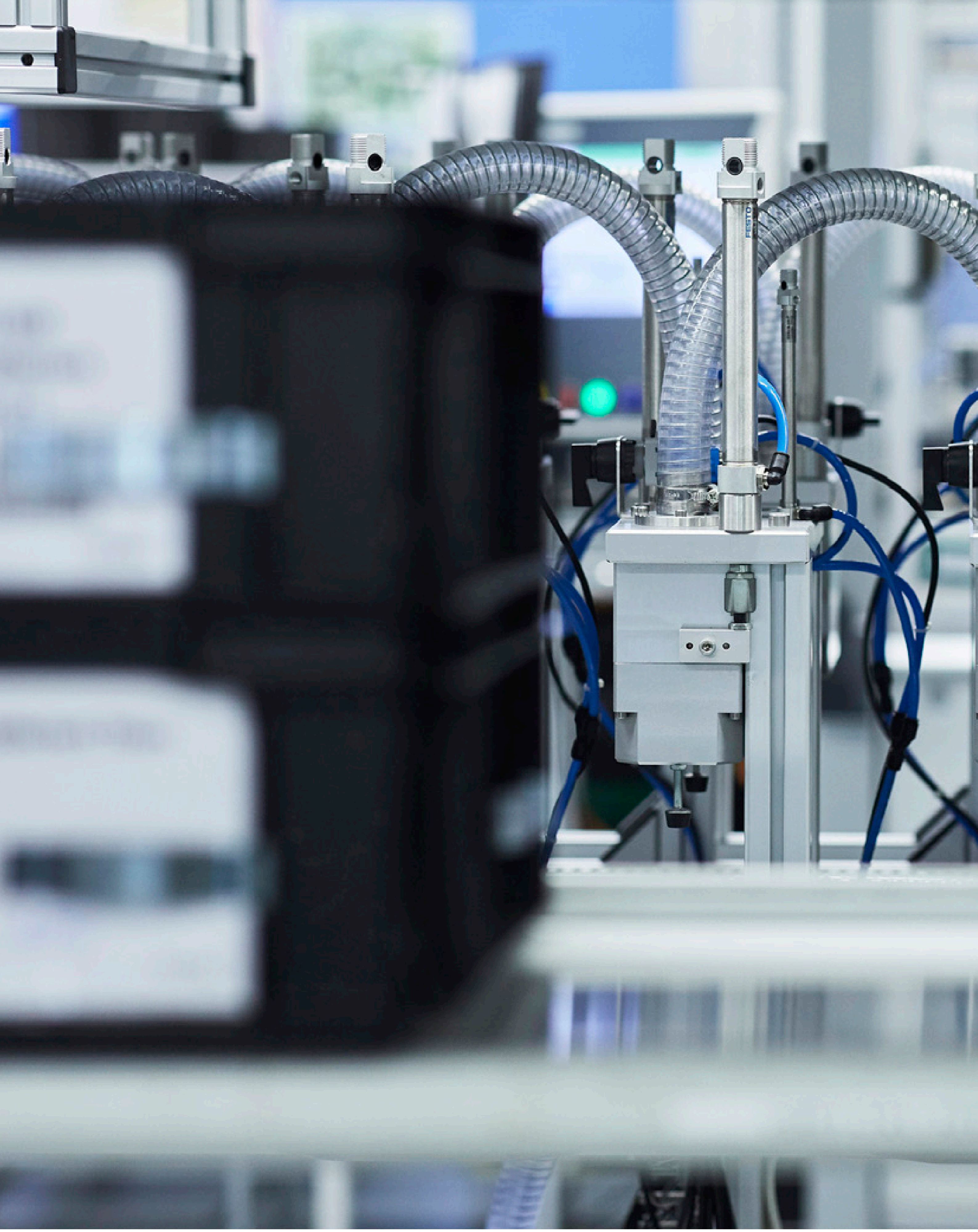
[1] Defined as profit (loss) for the period excluding net interest expenses, income taxes, depreciation, and amortization.

[2] Defined as EBITDA adjusted for net finance costs excluding net interest expenses, share of profit or loss of equity-accounted investees, past service credit on defined benefit obligation (1e plan), costs related to IPO Loyalty Share Program, expenses on social security relating to gain in excess of formula value, other costs related to IPO, and acquisition-related costs. Total adjustments: FY 2018 CHF 18.6m, FY 2019 CHF 8.1m.

[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, excluding M&A activities.

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



From left: Moritz Lechner (Co-Chairman), Marc von Waldkirch (CEO)
Felix Mayer (Co-Chairman)

Dear Shareholders

A challenging and mixed year 2019 lies behind us: we experienced reduced demand and increased volatility in all markets as a result of the numerous geopolitical uncertainties and the crisis in the automotive industry. Nevertheless, the start of new business in the second half of the year put us back on a moderate growth path. This made up for part of the decline in sales in the first half of the year. Despite the persistently difficult market environment, the long-term market trends as well as our technology and product pipeline remain strong. We achieved a number of important milestones in the company's strategic development last year: firstly, by winning important projects, also because of our new product lines, and secondly, by further expanding our portfolio of environmental sensors. These strategic advances will support growth in the coming years. Sensirion therefore continues to confirm its medium and long-term growth prospects.

Sales growth in second half partially compensated for decline in first half of the year

Consolidated annual revenue reached CHF 171.0 million, -2.2 % compared to the previous year (of which -1.8 % organic, -0.4 % foreign currency effects). Revenue was thus slightly above the upper end of the guidance that had been lowered in summer 2019 in the wake of the overall economic slowdown. This was achieved because of a stronger second half of the year, in which we achieved moderate growth of just under 4 % compared with the first six months by means of new business. The gross margin of 53.7 % remained stable and within the communicated expectations. The EBITDA margin adjusted for one-time effects reached 12.0 % and, thanks to intensified cost management, was at the upper end of the guidance revised in the summer. Due to high R&D expenses (24 % of revenue) and low variable product costs, adjusted EBITDA of CHF 20.4 million suffered disproportionately from the decline in sales. In view of the continuing strong medium and long-term outlook, we deliberately maintained our high R&D intensity. Taking into account one-time costs of CHF 6.5 million in connection with the last tranche of the IPO Loyalty Share Program, an operating loss of CHF 2.0 million and a net loss for the period of CHF 2.7 million resulted. The operating cash flow amounted to CHF 25.7 million and the free cash flow to CHF 8.6 million.

Slight growth in industrial market, weaker automotive market, special effect in medical market

The breakdown of consolidated revenue by market changed only slightly compared with the previous year (automotive 30.0%, medical 20.6%, industrial 41.1 %, consumer 8.3 %). In terms of geographical distribution, the EMEA and Americas regions increased slightly at the expense of Asia-Pacific (Asia-Pacific 45.6 %, EMEA 34.4 %, Americas 20.0 %).

The automotive market generated sales of CHF 51.3 million (-4.8 % compared to the previous year). The very weak first half of the year (-14 % compared with the prior-year period) was characterized by a significant weakness in demand coupled with inventory optimization throughout the supply chain. In the second half of the year, demand stabilized noticeably, so that growth of 6 % compared with the same period last year was achieved thanks to new business. This compensated for part of the sharp decline in sales in the first half of the year.

With CHF 35.1 million, sales in the medical market were 8.9 % below that of the previous year. This decline is primarily the result of a base effect: in the second half of 2018, we recorded temporarily strongly increased volumes in the dominant sleep apnea therapy (CPAP) devices application as two major customers were about to launch important new products and were heavily building up their inventories. In 2019, demand in the CPAP area was back in line with the long-term trend.

In the broadly diversified industrial market, we achieved a moderate growth of 2.5 % in 2019 compared to the previous year with revenue of CHF 70.3 million. Important new business in the household appliance applications, especially owing to our new CO_2 sensors, as well as higher sales in the gas meter business offset the lower sales in some areas in the traditional products business and in the sharply declining hard disk sector.

At CHF 14.1 million, the consumer market achieved a slight increase in revenue of 3.1 % compared to the previous year thanks to new projects with our gas and humidity sensors.

Strategic expansion of our environmental sensor portfolio

In 2019, we made good progress in implementing our strategic goal of achieving market leadership in the entire field of environmental sensor technology: the CO_2 sensor launched at the beginning of 2018 substantially contributed to consolidated sales for the first time thanks to product launches with lead customers in the industrial sector. In mid-2019 we also announced the second generation of CO_2 sensors: through innovative packaging approaches and our expertise in sensor technology, MEMS and chip design, we were able to reduce the size of the sensor to one-fifth without compromising performance. This miniaturization brings further advantages in the cost structure of this product, opening up new opportunities for additional CO_2 applications in all our markets. Initial market feedback on the new CO_2 sensor is very positive. Sensirion received the “Best of Sensor Award 2019” for this product shortly after its announcement on the market at the leading Sensor Expo in San José (USA). Production start is scheduled for summer 2020.

The particulate matter sensor (PM2.5) launched later in 2018 is also developing positively on the market. As a result of further important nominations in the industrial and automotive markets, we will also achieve continuous and sustainable sales growth with this product family in the coming years.

To further strengthen our environmental portfolio, we acquired a very promising electrochemical sensor technology from a Californian start-up company in mid-2019. In the meantime, the technology transfer has been successfully completed and a larger internal development team has started to develop a first gas sensor based on this novel technology.

Medium and long-term prospects remain strong

Despite the current difficult market environment, we continue to view the medium and long-term growth prospects as positive. The fundamental growth drivers for sensor technology, such as energy efficiency, safety, health, and increased living comfort, will continue to drive the growing demand for sensor technology in all markets in the future. Our strategic orientation, supported by the newly launched product families, our entry into the automotive module business and a full innovation pipeline open up numerous growth opportunities and a continuous increase in the value share in important existing and new customer applications. We are therefore maintaining a high R&D intensity, also in comparison to our competitors.

Two new members of the Board of Directors

On 14 May 2019, the 20th Annual General Meeting, the first as a listed company, took place in Rapperswil-Jona. All proposals of the Board of Directors were approved by the shareholders with clear majorities. François Gabella and Franz Studer were elected as new members of the Board of Directors to replace Markus Glauser, a long-standing member of the Board. We would like to take this opportunity to thank Markus Glauser for his almost 20 years of loyalty and support as a valuable member of our Board of Directors. He has played a major role in Sensirion's development from an ETH start-up to a listed company.

Outlook

Given the current rapidly changing situation, it is difficult to provide an outlook for 2020: the global economic situation remains fragile and challenging in view of the continuing tense geopolitical environment and the unresolved coronavirus epidemic. Future effects of the epidemic on current business and the supply chain are currently difficult to assess. Assuming that the market environment and exchange rates do not deteriorate significantly, we anticipate sales growth of 4-10 % to CHF 178-188 million for full-year 2020, with a consistently strong gross margin of 52-54 %. For the adjusted EBITDA margin, we expect an improvement to 14-16 %. Based on the progress in important R&D projects, we also confirm our medium-term annual sales growth target of 10-15 %.

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 great commitment to and trust in Sensirion. Furthermore, we are particularly proud that Sensirion was awarded the title of best employer in Switzerland in the category "large companies" by "Great place to work" in April 2019. This external confirmation of our corporate culture is also an incentive to maintain and further develop our "SensiSpirit" as a basis for innovation. We would also like to thank you, dear Shareholders, for your loyalty and trust. Especially in times of an economic slowdown, it is important to think long term and to pursue even more innovations. We have felt the support for this again this year.

Moritz Lechner	Felix Mayer	Marc von Waldkirch
Co-Chairman of the Board	Co-Chairman of the Board	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. We aim to drive growth along two dimensions, specifically by increasing both the content and the penetration rate per application. By expanding our product portfolio, we aim at increasing the application content at a given customer. Through price optimizations, we aim at increasing the application penetration rate across all customers. This results from the trickle-down effect, in which the price decreases trigger the expanded adoption of the application, from high-end through mid-end to low-end customer device models, with the strategy that volume increase overcompensates price decrease.

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. 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
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.

Markets

Automotive Market

In the automotive market, revenue reached CHF 51.3 million, which corresponds to a decline of -4.8 % compared to the previous year and a contribution of 30.0 % to group revenue.

Revenue development was foremost influenced by the decline in sales volumes in the first half of the year, as a consequence of weak demand and optimization of inventories throughout the whole automotive supply chain. This resulted in a decline of revenue by 14 % comparing the first half of 2019 with the first six months of 2018. In the second half of 2019, demand stabilized which, together with new business, yielded a growth of approximately 6 % compared to the second half of 2018. Declining sales volumes were observed across all products supplied to the automotive market, both for sensor components and modules. In the challenging economic environment, prices were neither negatively nor positively influenced; the revenue decline was clearly attributable to a volume effect.

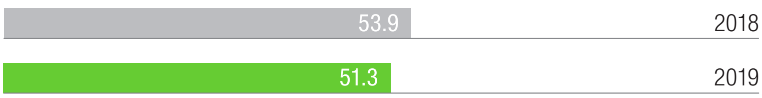
Applications of Sensirion sensors in the automotive industry are centered around optimizing energy consumption and increasing passenger comfort. Humidity and temperature sensors are applied in cars to control the cabin climate and prevent fogging on the windshield. Sensirion's gas flow sensors, together with humidity and temperature sensors, are located in the air intake of combustion engines to more precisely control the combustion process and optimize energy consumption. Driven by more stringent regulations, this application showed growth compared to 2018 despite the overall weak demand in the automotive market.

In the automotive module business, Sensirion has made important progress in expanding its environmental sensor portfolio and in gaining a track record as direct supplier to automotive OEMs. The portfolio includes automotive modules based on humidity and on air quality sensors, as well as the new particulate matter sensor. Applications of these modules are related to climate control and comfort inside the car cabin. This module portfolio supports the strategy to continuously increase content in existing and new applications.

Success in the automotive market depends on meeting rigorous requirements on product reliability, process quality, and customer proximity. Accordingly, Sensirion's automotive products meet the quality requirements of the Automotive Electronics Council AEC-Q100, and the manufacturing locations meet the requirements for certification according to the international automotive standard IATF 16949.

In the automotive industry, the trends of becoming more energy efficient and of enhancing passenger comfort are the main application drivers. The ongoing shift from combustion to hybrid and electric engines will benefit Sensirion. Saving fuel by optimizing climate control is a nice-to-have benefit in the case of a combustion-engine vehicle. However, the benefit is significantly larger for an electric vehicle because saved energy is not only more cost-efficient, it also translates into an increased range. This additional benefit should result in an increased penetration rate of Sensirion's sensors in auto-defogging and climate control applications.

Revenue Development in CHF million



Medical Market

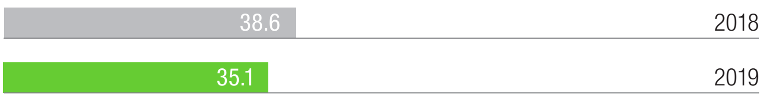
In the medical market, revenue amounted to CHF 35.1 million, -8.9 % year-on-year, contributing 20.6 % to group revenue.

The decline in revenue is mainly the result of a base effect. The second half of 2018 showed very strong revenue as two important customers who apply Sensirion's differential pressure and humidity sensors in their continuous positive airway pressure (CPAP) devices built up inventories to support the launch of new product generations. During 2019, demand from the CPAP application was again in line with the long-term trend as volume demand transitioned back to the historical development.

In the medical market, Sensirion's sensor solutions are mainly used in applications related to the human respiratory system. In the aforementioned sleep apnea home-care application, gas flow and humidity sensors enable the CPAP device to maintain the correct air flow into the patient and control humidification of the trachea, thus helping the patient to sleep better and wake up more rested in the morning. In ventilators used both in hospitals and emergency settings, mass flow meters are applied in a similar fashion. In anesthesiology, Sensirion's mass flow meters play a mission-critical role to correctly dose the applied amount of anesthetic agent.

Looking forward, real-time monitoring of gases and liquids entering and exiting patients will increase. Sensirion's view is that its highly capable sensor solutions are well suited to meet these demands.

Revenue Development in CHF million



Industrial Market

In the industrial market, revenue moderately grew to CHF 70.3 million, which corresponds to a 2.5 % increase compared with 2018 and 41.1 % of group revenue. Growth based on new home appliance business with the CO_2 sensor, on market share gains of the main gas meter customer, and through distribution channels slightly compensated for declining revenues in the hard disk market and other industrial applications.

The home appliance market showed solid growth on the basis of a stronger second half of the year. Drivers in the appliance market are increased energy savings and enhanced comfort. Applications include incorporating humidity sensors in refrigerators to optimize energy, employing air quality sensors in air purifiers to achieve cleaner air, and installing CO_2 sensors in air conditioners to more efficiently ventilate rooms. In the second half of 2019, a manufacturer of air exchangers started production of a new device for which Sensirion now not only supplies humidity sensors but also CO_2 sensors. This case demonstrates the approach of generating growth through increased customer content.

In the area of heating, ventilation and air-conditioning (HVAC), revenue showed a flat development compared to 2018. Volume increase through trickle-down effects as well as new business was more or less compensated by economically conditioned weaker demand.

In the area of process automation, testing and analytics, sales remained stable due to growth in some relevant projects and decline in others. While the application of gas flow meters in industrial glass coating grew, the application of liquid flow sensors in photoresist dosing onto semiconductor wafers showed declining sales.

In the area of hard disks, as expected at the beginning of the year, sales of humidity sensors yielded less revenue than in the previous year, as a consequence of the transition of the data storing industry from magnetic-based to solid-state storage technology.

In the smart gas meter market, a major customer in Italy was able to further increase its market share, which led to higher revenue comparing 2019 to 2018. The roll-out of Sensirion's microthermal metering technology in other geographical areas is ongoing but moves slowly due to the high regulations in the national gas metering markets.

Distribution channel revenue increased year-on-year, especially due to increased sales from the recently introduced products for air quality, carbon dioxide, and particulate matter, and from stronger sales of the third series of humidity sensors.

Revenue Development in CHF million

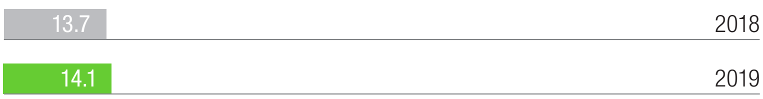
Consumer Market

In the consumer market, revenue slightly increased to CHF 14.1 million, +3.1 % year-over-year, contributing 8.3 % to group revenue. Growth primarily originated from increased shipments of humidity sensors, both through direct sales and the distribution network. This new business could slightly compensate for the dampening geopolitical effects.

In the consumer market, drivers for implementing Sensirion's sensors are mainly augmenting comfort and saving energy, especially in "SmartHome" applications in residential buildings, e.g. by installing humidity sensors in smart thermostats.

With respect to smartphones, Sensirion has developed the necessary technology for introducing air quality sensors in mobile handsets and is still closely monitoring the market to see if air quality sensors will be implemented in mobile phones.

Revenue Development in CHF million



Environmental and Social Responsibility

As an international operating company and innovation pioneer, Sensirion has integrated the diverse facets of sustainability into its corporate management strategy. Our core business focuses on the development and distribution of sensors for a wide range of applications having one common aim: improve energy efficiency, increase health, and ensure safety and comfort. In so doing, we cannot change the world but we can make it a little bit better. As a former start-up company, we are used to being courageous, tackling things, and actively seeking change rather than waiting passively. We do not just want to be another company that talks about sustainability, we want to show what we do to make it happen. Every day.

Environmental

Environmental sensing

Environmental conditions have a major impact on our well-being, comfort, and productivity. Sensirion's sensor solutions help creating smarter devices as they provide detailed and reliable data on key environmental parameters such as humidity, temperature, volatile organic compounds (VOCs), particulate matter (PM2.5), and carbon dioxide (CO_2). Thus, air quality monitoring is the result of our long-term research and development efforts.

Environmentally friendly products and production

Sensirion's products contribute to more energy-efficient – and therefore more environmentally friendly – processes and applications in many fields. For example, our sensors help automotive manufacturers meet stringent emission standards in the automotive industry and reduce the vehicle's energy consumption by up to three percent.

The reduction of hazardous substances in our products to a minimum and the compliance with current EU Directives – in particular RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) – reflect our commitment for a sustainable corporate management.

Furthermore, our sites in Switzerland, South Korea, and China are certified according to ISO 9001 (Quality management standard) and IATF 16949 (Quality management standard for the Automotive Industry). Our production sites in Stäfa and South Korea also meet the requirements of the international Environmental Management Standard ISO 14001. All sites focus on the efficient use of energy and raw materials. Our electricity and water consumption and our emissions of greenhouse gases are to be reduced by 5 % per year and produced sensor.

Climate change and CO_2 footprint

As an international company with global presence and business, Sensirion cannot do without air travel, but we do everything we can to reduce our impact on the environment. As from January 2020, we fully offset all Sensirion flights against CO_2 emissions. Moreover, all our employees are encouraged to avoid air travel whenever possible and use modern technologies for meetings instead.

In Switzerland, Sensirion has long been actively promoting public transport. Our new parking concept at our site in Stäfa is part of our mobility concept and designed to further reduce the volume of traffic and the associated negative effects on the environment. We now charge an annual parking fee.

The revenue thus generated is returned completely to our employees via an annual eco-bonus in the form of so-called "Reka-Checks" (Switzerland's most popular leisure money), which in turn can be used to purchase a Half-Fare Card for public transport. Furthermore, bicycles are available to employees for the short distances between the buildings.

As innovation pioneer, we already started to reduce our CO_2 footprint caused by the heating of our production building in Switzerland a few years ago. In the meantime, the building is equipped with 21 geothermal probes and heat pumps as well as with two 60,000-liter heat storage tanks to recover waste heat from the systems.

This modern, environmentally friendly climate technology is one step into the right direction. Another one is the replacement of the old oil heating system with an efficient natural gas heating system that emits about 20 % less CO_2. In the reporting year, we also renewed and optimized the heating distribution.

Investments in renewable energies

Since September 2019, we have been operating a solar plant on the roof of one of our office buildings in Switzerland. This enables us to generate the required annual electricity consumption – approximately 115 MWh – for this building entirely from solar energy.

Supply chain

The Responsible Business Alliance (RBA) is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. As a member, Sensirion is committed to continual improvements in labor law, occupational safety, environmental protection, and ethics. As a business partner, Sensirion regularly audits its suppliers.

Furthermore, Sensirion was awarded the gold medal by EcoVadis in 2019. EcoVadis is the world's most trusted provider of business sustainability ratings, intelligence and collaborative performance improvement tools for global supply chains. It is committed to creating a reliable Corporate Social Responsibility (CSR) rating system that is consistent over time and offers comparability so that suppliers can be benchmarked across the wide variety of sectors and countries.

Social

Our Corporate Social Responsibility Statement 2019 and our Code of Conduct best reflect how our responsibility for labor, environment, health & safety, and ethics is integrated into our management system:

- Sensirion is known for its high standards of occupational safety and health protection. All our employees are trained in occupational safety and emergency measures.
- Sensirion stands for fair conditions in the workplace, adequate remuneration and opportunities for education and training. We are committed to creating a community and ensuring that discrimination of any kind doesn't stand a chance. At Sensirion, upholding the highest ethical standards and protecting employees' human rights is crucial and not an empty promise. So it is not surprising that Sensirion was awarded first place as the best Swiss employer in the Great Place to Work® competition 2019. On top, Sensirion received the special award for a particularly agile corporate culture (Best Agile Culture Workplace Award 2019).

- Sensirion meets the stipulations of the Conflict Mineral Act. In the framework of our due diligence, we regularly check our supply chains for tin, tungsten, tantalum, and gold and ensure that these conflict minerals – which often originate from Congo or neighboring countries – are not funding armed groups or human rights abuses in this region.
- Child labor and forced labor are prohibited. The rights and legal provisions for the protection of children and adolescents are observed and implemented in the operational processes of Sensirion.

Governance

Anti-Corruption Policy and whistle blowing

Sensirion has an Anti-Corruption Policy in place aiming to prevent any kind of corruption and bribery. All employees, including management, are obliged to report any violations of this policy. Whistle blowers who report violations to the best of their knowledge are protected against retaliation. Sensirion does not tolerate intentional ignorance ("Tell me nothing, I do not want to know about it.").

Sustainability management anchored at Management and Board level

The Executive Committee and the Board of Directors ensure that all aspects of sustainable corporate management at Sensirion are lived and implemented in everyday work. For more detailed information covering all aspects of Corporate Governance, we refer to the Corporate Governance Report on page 42.

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> **I appreciate that Sensirion is constantly evolving and revising processes and work steps with the aim of ensuring my safety. Our safety policies and regulations give me a better feeling at work.**
>
> Merly Merz, Senior Operator

796 Sensirion Employees (FTE) Worldwide

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.


Sensirion Japan Co., Ltd.
(Tokyo, Japan)
Sensirion Korea Co., Ltd.
(Dongan-Gu, South Korea)
Sensirion Automotive Solutions Korea Co., Ltd.
(Seoul, South Korea)
Sensirion Holding AG
(Stäfa, Switzerland)
Sensirion Automotive Solutions (Shanghai) Co., Ltd.
(Shanghai, China)
Sensirion Taiwan Co., Ltd.
(Zhubei City, Taiwan)
Sensirion China Co., Ltd.
(Shenzhen, China)

Facts

2019

Most popular employer

No1

OF LARGE ENTERPRISES IN SWITZERLAND
GREAT PLACE TO WORK

Employees

NUMBER OF EMPLOYEES (FTE)
OF WHICH 598 IN SWITZERLAND, 184 APAC, 14 AMERICAS

796

Logistics

9,300

NUMBER OF PARCELS SENT FROM SWITZERLAND
+ APPROX. 940 PALLETS

Research and development

REVENUE INVESTED
IN R&D

24%

Production

PRDUCTION SITES
IN STÄFA, SEOUL (SAS) AND SHANGHAI (SAS)

3

Health

18,664

FRUITS CONSUMED
IN KILOGRAMS

Patents

NUMBER OF
PATENT FAMILIES REGISTERED

≈180

Products

704

NUMBER OF PRODUCTS
AND PRODUCT VERSIONS

Product sales

SENSORS SOLD
WORLDWIDE UP TO DATE

600 Mio

IMPROVE EFFICIENCY
INCREASE HEALTH
ENSURE SAFETY & COMFORT

At the heart of Sensirion are dedicated employees and globally successful sensor solutions. Although mostly invisible to the end user, Sensirion’s sensors are intelligent, reliable, sometimes even life-saving, everyday companions used in the medical, automotive, consumer, and industrial markets.

Why? To improve efficiency, increase health, and ensure safety and comfort. The demands on Sensirion’s employees and sensors are therefore very high. Sensirion wants to be above average and one step ahead of the future. Intelligent household devices, smart homes, safer medical applications, and improved air quality are only a few examples why Sensirion knows it's worth being innovative and a market leader instead of waiting for others to set the direction.

Sensirion’s actions and products should reflect who and how Sensirion is: an international company with Swiss roots that is actively committed to a more sustainable future. In many industries, sensors are the driving factor behind automation and facilitate an ever-greater degree of networking between machines and systems.

Improve Efficiency

With energy demands increasing and natural resources dwindling at an ever-advancing rate, humanity faces a number of major challenges. Sensirion is committed to more energy-efficient applications. Its product portfolio contains sensor solutions to enable efficient and sustainable energy management practices, in turn reducing energy consumption, the use of harmful substances, and improving the global energy balance.

Heat exchangers

State-of-the-art heat exchangers reduce energy consumption and costs while optimizing indoor air quality. Sensirion's differential pressure sensors ensure a constant optimum air flow into the ventilation system, so that the heat in the exhaust air is efficiently transferred to the incoming air or vice versa. The incoming air is cooled if it is higher than room temperature, and heated if it is lower, resulting in less external energy sources.

Anti-fogging

The air conditioning unit in a car consumes a large amount of energy, especially when the incoming air has to be dried. Therefore, it is desirable to use it only when necessary. Sensirion's humidity and temperature sensors are placed on the inside of the windshield to optimize control of the air conditioning unit.

When the humidity and temperature in the car cabin come close to the condensation point, the air conditioning unit is turned on to blow dry and warm air over the windshield, preventing fogging in the first place and ensuring a clear view for the driver. As soon as conditions allow, the air conditioning unit is turned off again in order to save energy.

A humidity sensor in a refrigerator vastly improves its energy efficiency by preventing condensation between the doors.

Sensirion pursues new application areas that enable improved energy efficiency, for instance, based on the development of miniaturized CO_2 sensors employing a photoacoustic measurement principle. In demand-controlled ventilation, a building is ventilated up to the point where the CO_2 concentration in the air reaches an optimum for the building's residents. Precise ventilation management saves energy and improves the well-being of residents.

Sensirion's goal of "increasing efficiency" is also anchored in its corporate culture. Flat hierarchies enable quick decisions ensuring a flexible and agile business approach. Furthermore, most research and development projects follow an agile, scrum-like development process.

Increase Health

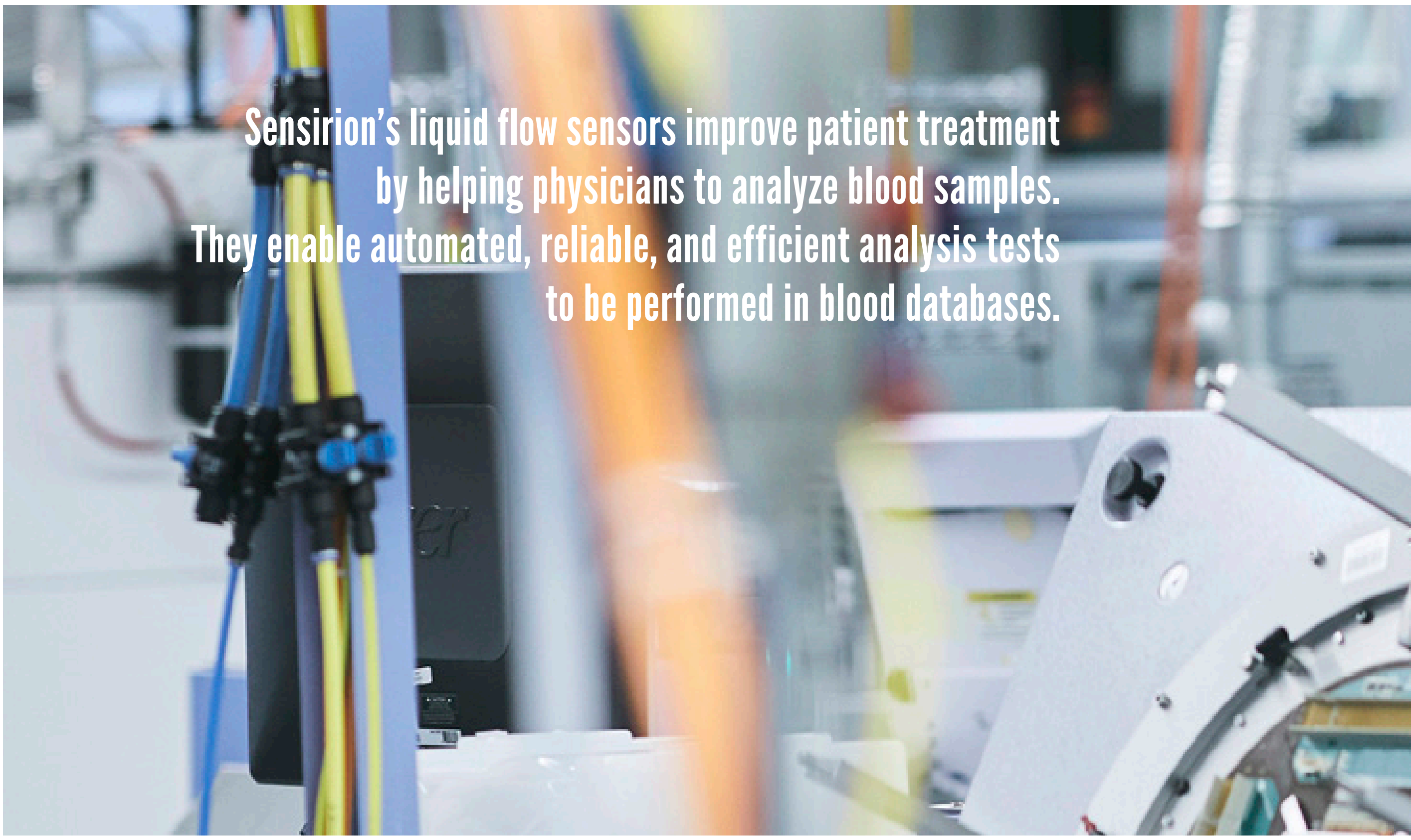
A person's health is their most precious asset. Sensirion develops sensor solutions that improve various examination and treatment methods - with the overall aim of helping as many people as possible to live a longer, happier, and more fulfilling life. Many patients, doctors, and nursing staff around the world benefit from Sensirion's intelligent sensor systems. Sensirion's goal is to keep exploring the frontiers of these technologies and bring medtech applications to the next level. For example, Sensirion offers sensors for ventilators, anesthesia devices, catheters, infusion therapies, implants, and lab examinations.

Ventilation therapy

In the fields of emergency medicine, intensive care, and home care, Sensirion's sensors measure the flow of gases. Sensirion has unparalleled expertise when it comes to sensing air flow in ventilation devices, with more than 10 million patients around the world daily relying on its sensors. The use of highly sensitive mass flow meters ensures that patients safely receive the correct amount of air, while the real-time measurement and associated regulation of ventilation reduces the risk of suffocation.

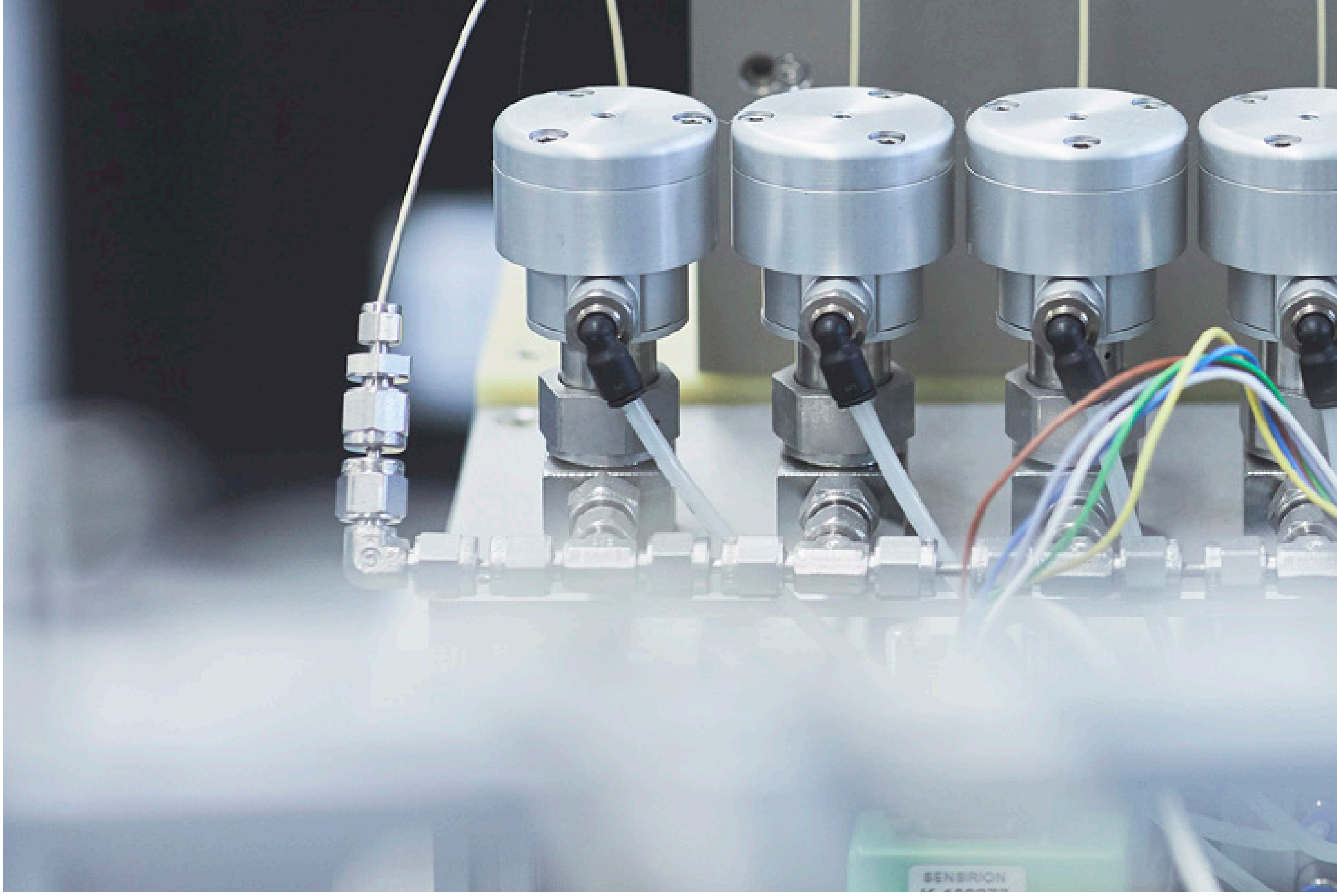
Intravenous infusions

The most common problems associated with standard intravenous infusions include blockages in the infusion flow and open tubes. Sensirion's liquid flow sensors detect and prevent these issues, allowing the infusion pumps to provide patients with controlled, accurate, and self-contained medication.



Health is a top priority at Sensirion. Sensirion's employees benefit from a healthy work-life balance, creative freedom, and working-time flexibility – all essential for ensuring they do their best every day. Sensirion believes that people who work together achieve better results. Therefore, Sensirion offers various team sport activities. Health at work is just as important as encouraging a healthy lifestyle, and so Sensirion takes all the necessary technical, organizational, and individual measures to minimize health hazards in the workplace. All employees are trained in occupational safety and emergency procedures.

Medical procedures and therapies are often faced by the same challenge: accurately measuring and controlling lowest flow rates down to the microliter per hour range. In most of these cases, the outcome of the therapy, as well as the well-being or even the survival of the patient, strongly rely on the reliable and continuous drug administration in such low flow regimes. While various countermeasures have been evaluated and introduced, there is still room for improvement and for new technologies to be established. One novel development with tremendous potential is a single-use liquid flow sensor that is able to measure lowest flow rates and detect common failure modes quickly and reliably.



Ensure Safety and Comfort

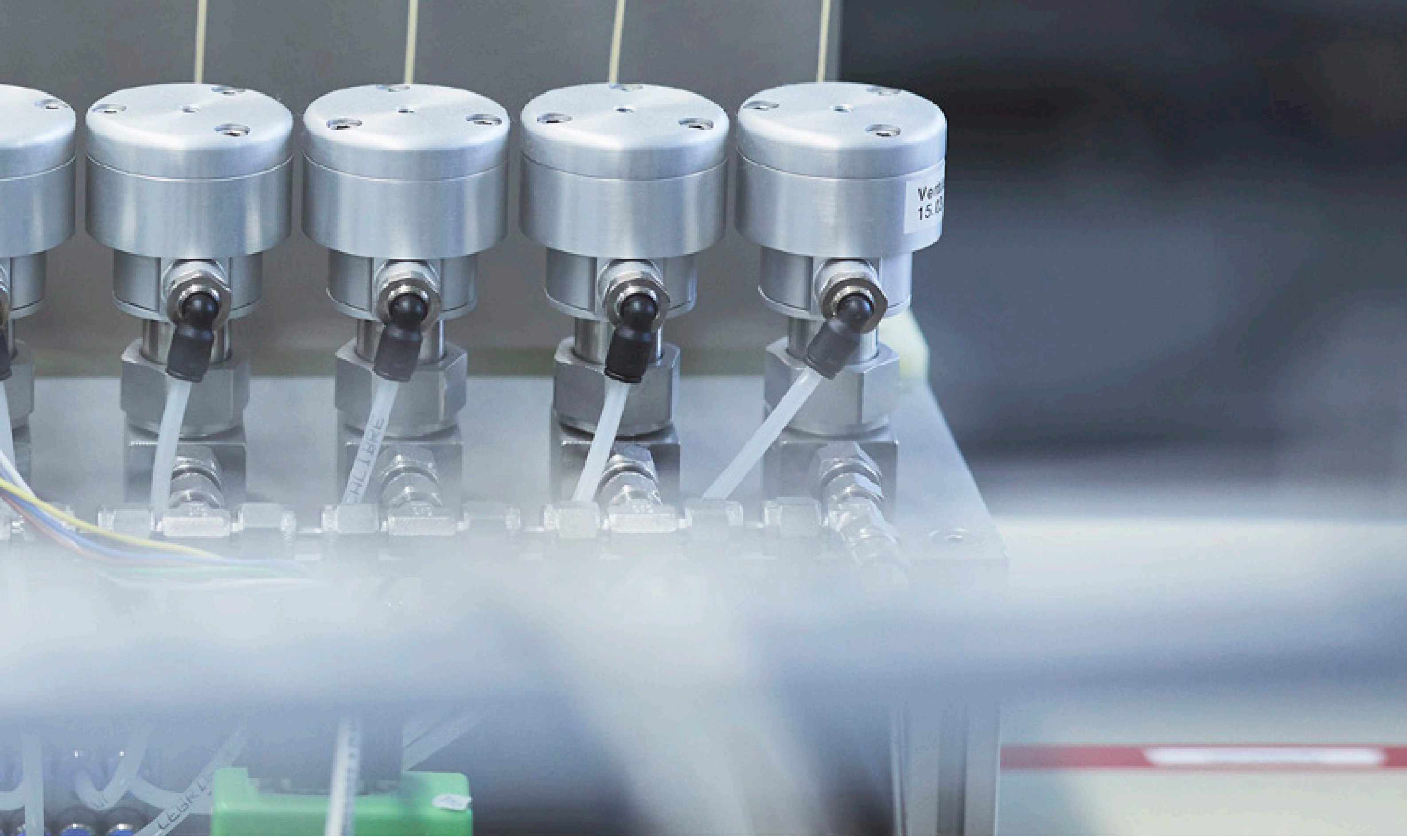
Everybody desires safety and comfort. Sensirion helps to improve safety, comfort, and well-being by providing sensor solutions for many different industries. For instance, this takes the form of automatic ventilation for improved indoor air quality or preventing fogging of the windshield to ensure a clear view while driving.

Air purifiers

Sensirion's environmental sensors enable a room's air quality to be measured and controlled accordingly. For example, the integration of particulate matter, CO_2 and gas sensors into ventilation systems or air purifiers enables the analysis of indoor air quality and purification using filters. This increases the comfort of the occupants and is beneficial to their health due to a reduced exposure to harmful substances, such as particulate matter.

Climate control in a smart home

Measurement of a building's air quality offers great potential to ensure higher comfort. In "Smart Home" applications, systems are digitally linked and processes automated, enabling more comfort for its inhabitants. Demand-controlled ventilation and heating systems that adapt to the current use of a room are two examples of such intelligent applications.



One in three cars built today has a Sensirion sensor incorporated to prevent fogging of the windshield and thus improve driver visibility.

Development of a long-life stable particulate matter sensor in order to monitor air quality – innovations such as this pave the way to a more comfortable and safer environment. Particulate matter smaller than 2.5 microns is exceptionally harmful to human health as it can travel into and accumulate in the lungs, increasing the risk of mortality over the medium term. Filtering and monitoring applications help to reduce exposure to particulate matter and benefit human well-being.

Safety plays an essential role at Sensirion. Motivated employees drive the company forward, and the right environment enables talent to develop. This is why Sensirion leaves a certain tolerance for mistakes, as this gives its employees the security to try new things and be bold in their actions. This is reflected in Sensirion's commitment to be "fair & honest". As a member of the Responsible Business Alliance (RBA), Sensirion is committed to the ongoing improvement of labor law, workplace safety, environmental protection, and ethics.

“We support each other to win as a team.”

Interview with Patrick Beer, Director Operations Switzerland

You’ve been with Sensirion for nine years now. How would you say the company has changed during that time?

Sensirion has grown rapidly in the past decade – the size of the workforce, our range of products, and the number of processes have increased. We’ve also seen our production processes become more and more complex due to the requirements of the various stakeholders. My team and I always feel motivated to meet these constantly growing requirements. This is one reason why we assess and revise our processes all the time.

Are there any specific examples of realized changes?

As we are active in different markets, our customers have a wide range of specifications and demands. One example is the extremely high quality standards that apply in the automotive and medical technology industries. We make sure to respect and tick every single box in our production processes. The impact can be seen in how the number of employees in the company in general and the production department in particular has developed. The Operations division in Switzerland used to comprise a team of 50 employees. Now we are more than 150 people.

It’s clear from your answers that much has changed over time. Do you believe that the degree of efficiency has changed within the production division, too?

All in all, the mindset of my colleagues and myself has remained the same since I started working here. Our sights have always been set on achieving a high level of efficiency in our processes, and we are strongly focused on meeting our customers’ needs. We first tasted success as a small startup, and since then we’ve developed into a market leader in many segments. As we have changed, so the importance we place on production has increased. After all, professional production is efficient production. Efficient processes enable us to reduce lead times, maximize our yield and minimize risks in our internal supply chain. Our production lines as they stand are based on state-of-the-art technology and are second to none.

What are typical characteristics of your production division?

As a company, we are exceptionally good at adapting standard processes and machines to requirements that are specific to Sensirion. This allows us to guarantee the greatest efficiency in our production processes. As a result, we can scale up with ease.

What springs to mind when you think about Sensirion’s “SensiSpirit” culture?

Our company values. I feel the sense of togetherness most in the production division – for me, personally, this is the most important value we have. If we encounter a problem, it is imperative that we talk to one another and find the right solution as soon as possible. It is thanks to this team spirit that we have been able to make the impossible possible many times in the past. This can be anything from putting in overtime or working on the perfect solution for as long as it takes to achieve the results we have in mind. The fact that we are all pulling in the same direction is what enables us to meet the needs of our customers.

What role do Sensirion’s values play in your day-to-day work and your team in the production division?

As I interact with different people, it is essential that I approach them fairly and honestly. And it certainly helps that, at Sensirion, we are aware that mistakes can happen. For me, top performance and teamwork go hand in hand. In that sense, I would say our corporate values play a major role in promoting this mindset. It is our employees’ rock-solid motivation and willingness to perform that enables us to work together to achieve our goals. At the same time, we have to remain flexible and agile so that we can meet our customers’ requirements in terms of volume and deadline for each assignment.

Safety is a key area that is driving Sensirion’s growth. What’s your contribution to safety in the production division?

Ensuring the health and safety of our employees is one of our top priorities. That means safeguarding them against hazards at all times. For some processes, we work with harmful materials, which is why we’ve taken a number of protective measures to prevent on-the-job accidents. We actively analyze sources of danger, hold training sessions, conduct internal audits and evaluate the measures we’ve taken. We’re doing extremely well in this area, and it means we can provide our employees with the best possible level of protection.

At Sensirion, the focus is on people’s health, safety, and comfort, with the aim of enhancing their sense of well-being and improving efficiency. Would you agree on that?

These are goals that are close to my heart. And while we strive to achieve them through our products, it is our employees who maintain this focus day in, day out.


I am extremely proud to have the chance
to work with every single person in this company.
My team achieves a great deal.
Patrick Beer

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 2019.

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 91.

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 100 and 101.

Significant shareholders

As of 31 December 2019, 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:

Shareholder	% 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]	33.3 %
Gottlieb Knoch, Zug, Switzerland	5.0 %
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 32.8 % of the voting rights. Percentages are based on the shareholdings known by the Company as of 31 December 2019.

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

Moritz Lechner, 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.

The announcements related to the disclosure notifications made by shareholders during 2019 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 the 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 2019.

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 2019, the share capital of Sensirion Holding AG amounts to CHF 1,529,298.40, divided into 15,292,984 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 9.5 % of the share capital). Further, Sensirion Holding AG has conditional share capital for employee participations in the amount of CHF 145,222.90

(corresponding to 9.5 % of the share capital); conditional share capital for financing, acquisitions, and other purposes in the amount of CHF 145,581.70 (corresponding to 9.5 % of the share capital); and conditional share capital for employee participations in connection with the IPO in the amount of CHF 41,139.30 (corresponding to 2.7 % of the share capital). The following table summarizes the capital structure of Sensirion Holding AG.

Share capital

As per 31 December 2019	% of capital	Shares	In CHF
Share capital	100.0 %	15,292,984	1,529,298.40
Authorized share capital[1]	9.5 %	1,455,817	145,581.70
Conditional share capital			
Reserved for employee participation plans	9.5 %	1,452,229	145,222.90
Reserved for financing, acquisitions, and other purposes	9.5 %	1,455,817	145,581.70
Reserved for employee participation plans in connection with the IPO	2.7 %	411,393	41,139.30

[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 page 46). 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 expiry 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

The Articles of Association provide for three categories of conditional capital. First, the share capital of Sensirion Holding AG may be increased by an amount not to exceed CHF 145,222.90 by issuing up to 1,452,229 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 (see Article 3c of the Articles of Association). 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 share holders 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, 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 41,139.30 by issuing up to 411,393 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 (see Article 3e of the Articles of Association). 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 page 46).

Changes in capital

Due to the issuance of 152,812 fully paid-in registered shares with a par value of CHF 0.10 each out of conditional capital to members of Executive Committee and other employees under Sensirion's employee participation plans (see the Compensation Report on pages 66 to 78 as well as Note 16 of the Consolidated Financial Statements on pages 108 to 109), the share capital of Sensirion Holding AG increased by CHF 15,281.20 to CHF 1,529,298.40 between 1 January 2019 and 15 May 2019. Accordingly, the conditional capital for employee participations (Article 3b of the Articles of Association) reduced by CHF 358.80 (3,588 shares) from CHF 145,581.70 (1,455,817 shares) to CHF 145,222.90 (1,452,229 shares), and the conditional capital for employee participations in connection with the IPO Loyalty Share Program reduced by CHF 14,922.40 (149,224 shares) from CHF 56,061.70 (560,617 shares) to CHF 41,139.30 (411,393 shares). These capital increases out of conditional capital were registered in the commercial register on 18 June 2019 and published in the Swiss Official Gazette of Commerce on 21 June 2019. Except for this capital increase, the share capital of Sensirion Holding AG did not change in 2019.

For information on changes of share and participation capital during 2017 and 2016, see the Annual Report 2018 of Sensirion, pages 33 and 34.

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 effective as of 21 March 2018, 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 into shares in connection with the IPO effective as of 21 March 2018, Sensirion Holding AG had no longer issued any participation certificates.

Profit sharing certificates

As of 31 December 2019, 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 2019, the Board of Directors granted no exceptions from the Percentage Limit pursuant to Article 5 para. 3 of the Articles of Association.

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 2019. For information on Sensirion's employee participation plans, see the Compensation Report on pages 66 to 78 as well as Note 16 of the Consolidated Financial Statements on pages 108 to 109.

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 2019, the Board of Directors consisted of six 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 preceding the financial year 2019. 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 2019.

Name	Function	Committee membership	First elected	Elected until AGM
Dr. Moritz Lechner[1]	Co-Chairman	Member of the Nomination and Compensation Committee	1998 (formation)	2020
Dr. Felix Mayer[1]	Co-Chairman	Chairman of the Nomination and Compensation Committee	1998 (formation)	2020
Ricarda Demarmels[2]	Member	Chairwoman of the Audit Committee Member of the Independent Directors' Committee	2018	2020
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	2020
François Gabella[2]	Member	Member of the Independent Directors' Committee	2019	2020
Dr. Franz Studer[2]	Member	Member of the Audit Committee	2019	2020

[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.

Board of Directors

From left: Franz Studer, Ricarda Demarmels, Moritz Lechner, Felix Mayer, Heinrich Fischer and François Gabella

Board of Directors

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. Moritz 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. Moritz Lechner worked in the fields of micro-electronics 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. Felix 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, Felix Mayer serves on the Board of Directors of Avantama AG, Optotune AG, NexHeus 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. Since June 2019, she has served as Group CFO and a member of the Group Management of the Emmi Group. Between 2015 and 2018, Ricarda Demarmels served as Group 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, Ricarda 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, he 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. Heinrich Fischer is the Co-Founder of ISE AG, where he was Chairman of the Board of Directors from 1993 to 2005. Currently, he 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.

François Gabella Non-Executive Director, Swiss national, born in 1958

François Gabella has been a non-executive member of the Board of Directors of Sensirion Holding since 2019. He serves as member of the Independent Directors' Committee. Prior to joining the Board of Directors, he served as CEO of LEM Holding AG for eight years until 2018. Between 2006 and 2010, he was a member of the Metrology Executive Board and CEO of TESA AG at Hexagon Metrology, Sweden. Prior to that, François Gabella served as Senior Vice President, Power Transmission & Distribution Division, at ARVEDA T&D for three years. From 1999 until 2001, he served as Group CEO of a portfolio company at Texas Pacific Group, USA. Prior to that, he held various positions in the ABB Group. Currently, François Gabella serves on the Board of Directors of Fischer Connectors AG, LEM Holding AG, Optotune AG and Sonceboz AG. He is Vice President of Swissmem and a member of the Advisory Board of Switzerland Global Enterprise. He received a Master's degree in Micro-Engineering from Ecole Polytechnique Fédérale de Lausanne (EPFL) and an MBA from IMD Lausanne.

Dr. Franz Studer Non-Executive Director, Swiss national, born in 1965

Franz Studer has been a non-executive member of the Board of Directors of Sensirion Holding since 2019. He serves as member of the Audit Committee. Since 2012, he has served as Investment Director and Member of the Executive Committee of EGS Beteiligungen AG. In 2010 and 2011, he was CEO/COO of aizo group. Prior to that, for more than ten years, Franz Studer held various management positions at Bühler AG, including Commercial Director, Vice President, Engineered Products. From 1994 until 1999, he served as attorney at a law firm in Zurich. Currently, he serves on the Board of Directors of FAES AG (Chairman of the Board), Kantonsspital Winterthur (Chairman of the Board), and HUBER + SUHNER AG. Franz Studer received both a Master's and PhD degree from the Faculty of Law, University of Zurich, bar admission from the Canton of Zurich, and an Executive MBA from the University of St. Gallen.

Changes in the composition of the Board of Directors

At the Annual General Meeting on 14 May 2019, Markus Glauser did not stand for re-election and François Gabella and Franz Studer were elected as new members of the Board of Directors.

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 2019, the Board of Directors held nine meetings, four of which were telephone conferences. The meetings lasted on average approximately six hours each and the telephone conferences approximately one hour. 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.

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, 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 million, and any unbudgeted non-recurring investment exceeding CHF 2 million 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 2019 Moritz Lechner), and the other Co-Chairman is to chair the annual general meeting of shareholders (as of 31 December 2019 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 has established 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 committees 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 2019, the Audit Committee consisted of Ricarda Demarmels (Chairwoman), Heinrich Fischer, and Franz Studer.

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. In 2019, the Audit Committee held four meetings, which all members of the Audit Committee, the CEO as well as the CFO in an advisory capacity, attended. External statutory auditors also participated in the meetings on specific topics.

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 2019, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner, and Heinrich Fischer, who were re-elected by the Annual General Meeting on 14 May 2019. Moritz Lechner and Felix Mayer, Co-CEOs until June 2016, have been proposed as members of 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 of the individual compensation by the Board of Directors and of the aggregate compensation by the Annual General Meeting;
- 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 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. In 2019, the Nomination and Compensation Committee held three meetings, which all members, as well as in one instance 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 2019, the Independent Directors' Committee consisted of Heinrich Fischer (Chairman and Lead Independent Director), Ricarda Demarmels, and François Gabella.

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. The Independent Director's Committee held no meeting in 2019 since no matter to be reviewed or approved by the Independent Director's Committee was pending.

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. Furthermore, clear delimitations of responsibilities and process-integrated controls such as the use of the dual control principle constitute additional control measures. During the financial year, specific control activities have been performed at subsidiary level to ensure a proper and reliable accounting from a stand-alone but also from a group view. The correctness and effectiveness of the internal control system is ensured on an annual basis by process-independent auditing activities by internal audit team members and is regularly reported to the Group management and the Audit Committee. The internal audit reports will be made available to the external statutory auditors. Since the internal auditors report to the Audit Committee, their independence is assured.

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 2019, 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: Johannes Schumm, Johannes Bleuel, Marc von Waldkirch, Matthias Gantner, Heiko Lambach and Andrea Orzati

Executive Committee

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, Marc 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. He 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 for one year, where he was a member of the Executive Committee for the same period. 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, Andrea 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 Lausanne (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, Johannes 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 66.

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 page 46), or (ii) to the independent proxy 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 proxy, by their legal representative, or, by means of a written proxy, by any other proxy, who need not be a shareholder. On 14 May 2019, the Annual General Meeting re-elected Law Office Keller Partnership, Zurich, as the independent proxy 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 $33\frac{1}{3}$ % 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 66 to 78). 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 66 to 78). 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"), Räffelstrasse 28, 8036 Zurich, Switzerland has acted as statutory external auditor of Sensirion Holding AG since 2008. The Annual General Meeting re-elected KPMG as external auditors on 14 May 2019. Silvan Jurt (Partner) has been acting as the responsible lead auditor since 2019. In accordance with Swiss law, the lead auditor will rotate at least every seven years.

Auditing fees and additional fees

In the financial year 2019, 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 237,000.

For additional services performed by KPMG in the financial year 2019, Sensirion was charged total non-auditing fees as follows.

Additional fees, in thousand of CHF	**Amount**
Tax advice	107
Transfer pricing advice	41
Total	**148**

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 a 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 Article 727a CO. The Audit Committee discusses the comprehensive report and the results of the external audit in detail with the external auditors.

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. Further information for shareholders is available at https://www.sensirion.com/ad-hoc-notices.

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Financial calendar

10 March 2020	2019 full-year results and annual report
11 May 2020	Annual general meeting
19 August 2020	2020 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 2019. The Compensation Report has been prepared in accordance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (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 11 May 2020 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").

In order to implement the above-mentioned principles, we treat all employees, including the Executive Committee, in the same manner regarding remuneration. In addition, as a result of Sensirion's long-term business perspective based on the fact that the majority of projects worked on in a given year only generate relevant revenues within a timeframe of two to four years, Sensirion does not believe that a very short-term view reflects all considerations pertaining to an annual bonus. As a consequence, our guiding principles for the annual bonus 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 by key performance indicators only and that looking at quantitative targets only may create wrong incentives. Therefore, (i) 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, and (ii) the bonus takes into account the overall assessment of an employee's individual performance by their direct supervisor. The annual bonus typically amounts to up to 10 % of fixed compensation for employees and up to 20 % of fixed compensation for members of the Executive Committee.
- For the members of the Executive Committee, the aggregate variable compensation proposed to the Annual General Meeting by the Board of Directors is subject to approval by the Annual General Meeting before being executed.

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 2019, the Nomination and Compensation Committee consisted of Felix Mayer (Chairman), Moritz Lechner, and Heinrich Fischer, who were re-elected by the Annual General Meeting on 14 May 2019. 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 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 of the individual compensation by the Board of Directors and of the maximum aggregate compensation by the Annual General Meeting.

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. In 2019, the Nomination and Compensation Committee held four meetings, 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 54 and 55.

Authorities in compensation-related matters

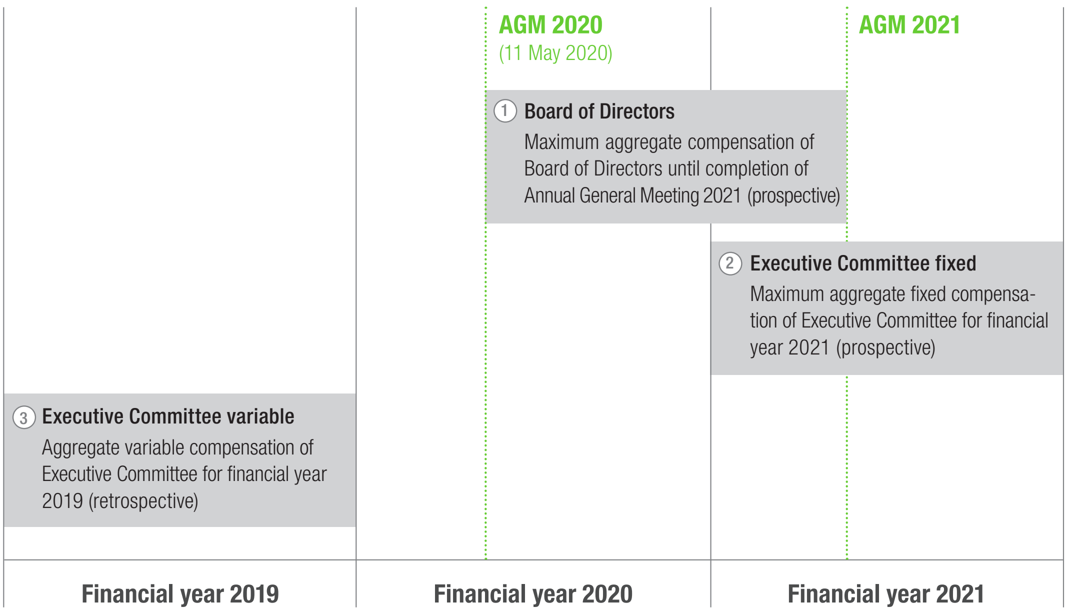
	AGM	Board	NCC	CEO
Compensation and benefits strategy; basic elements of compensation system		Approves	Proposes	
Maximum aggregate compensation of Board	Approves	Proposes	Proposes	
Individual compensation of Board members		Approves	Proposes	
Maximum aggregate fixed compensation of EC (prospective)	Approves	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 Article 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 11 May 2020.



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., CHF 100,000 for their role as Co-Chairman and CHF 150,000 for sensor innovation and strategic tasks. 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 (IDC)	10,000	10,000

[1] Each Co-Chairman receives a fixed compensation of CHF 250,000 p.a. by Sensirion AG, each on a 50 % basis, CHF 100,000 for their role as Co-Chairman and CHF 150,000 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.

In 2018, prior to the IPO, Sensirion performed 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.

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 in arrears. 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 the 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

As of 31 December 2019, the Board of Directors consisted of six members. At the Annual General Meeting on 14 May 2019, Markus Glauser did not stand for re-election and François Gabella and Franz Studer were elected as new members of the Board of Directors. For the financial years 2019 and 2018, 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 extension of the Board of Directors from five to six members at the Annual General Meeting on 14 May 2019.

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 the term up to the Annual General Meeting 2019 was within the limit approved by the Board of Directors. On 14 May 2019, the Annual General Meeting approved a maximum aggregate amount of CHF 930,000 as compensation for the members of the Board of Directors for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020. The compensation awarded to the members of the Board of Directors for the current term is expected to be approximately CHF 920,000. The final amount will be disclosed in the 2020 Compensation Report.

Compensation of the Board of Directors in 2019 (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]	–	40,371	290,371
Dr. Felix Mayer, Co-Chairman	250,000[1]	–	36,620	286,620
Ricarda Demarmels	50,000	40,000	6,519[4]	96,519
Heinrich Fischer	50,000	40,000	4,497[4]	94,497
François Gabella[2]	33,333	6,667	2,897[4]	42,897
Dr. Franz Studer[2]	33,333	13,333	3,380[4]	50,046
Markus Glauser[3]	12,500	7,500	971[4]	20,971
Total	**679,166**	**107,500**	**95,255**	**881,921**

[1] Each Co-Chairman receives a fixed compensation of CHF 250,000 p.a. by Sensirion AG, each on a 50 % basis, CHF 100,000 for their role as Co-Chairman and CHF 150,000 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 14 May 2019.

[3] Member of the Board of Directors until 14 May 2019.

[4] Social security contributions required by Swiss Law.

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 of CHF 250,000 p.a. by Sensirion AG, each on a 50 % basis, CHF 100,000 for their role as Co-Chairman and CHF 150,000 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] Social security contributions required by Swiss Law.

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

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

As of 31 December 2019, 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 2019, no compensation was paid to former members of the Board of Directors. As of 31 December 2019, 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 2019, no compensation was paid to parties closely related to current or former members of the Board of Directors. As of 31 December 2019, 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

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 responsibility 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.

In 2018, prior to the IPO, Sensirion performed a comparison of the compensation for the members of the Executive Committee with peers listed on the SIX Swiss Exchange 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 approval of the variable compensation for 2019 by the Annual General Meeting on 11 May 2020.

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.

In determining variable compensation, Sensirion takes an encompassing approach which considers both meeting measurable targets and qualitative factors. 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 2019, 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 2019, the RSUs awarded for the 2019 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 the individual annual bonuses to be awarded to the members of the Executive Committee to the full Board of Directors 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 by key performance indicators only and that looking at quantitative targets only 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; 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 determining 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 Article 25 of the Articles of Association requiring retrospective shareholder approval of the variable compensation, and the Annual General Meeting adopted this on 8 March 2018. Therefore, the Company will not deliver the restricted shares and the RSUs granted with the annual bonus in 2019 to the members of the Executive Committee prior to the approval by the Annual General Meeting 2020.

As a consequence of not achieving financial targets for 2019 in terms of revenue growth and profitability, which were also affected by the difficult market circumstances, the Board of Directors, based on a suggestion of the Nomination and Compensation Committee, reduced the bonus for all employees, including the Executive Committee, by 50 %

compared to 2018. As a result, in 2019, the variable compensation in the form of the annual bonus, including RSUs, awarded to members of the Executive Committee represented around 10 % (in 2018 around 20 %) of the base salary for the CEO and between 5 % and 10 % (in 2018 14 % to 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 in 2018, the members of the Executive Committee received 27,024 RSUs under a special employee participation plan (the "IPO Loyalty Share Program", which corresponds to 4.8 % of all RSUs granted under this plan) as a gratification bonus and incentive instrument for all current employees.

The RSUs vested were settled in shares in two tranches. 50 % of the RSUs vested were converted into shares on 15 January 2019, and the remaining 50 % of the RSUs vested were converted into shares on 15 January 2020, provided, in each case, that the relevant participant was 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 were, 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 were settled with newly issued shares out of the Company's conditional share capital and/or out of the Company's treasury shares.

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 and, 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 2019, the Executive Committee consisted of six members. For the financial years 2019 and 2018, the compensation of the members of the Executive Committee is set out in the tables below. Compared to 2018, the 2019 base salaries of the members of the Executive Committee remained stable, except for one member whose salary was increased to reflect his extended experience and seniority. The bonuses in 2019 take into account not achieving the financial targets in terms of revenue growth and profitability, and the comparison with peers prepared in 2018 prior to the IPO. For 2018, the compensation in connection with the IPO Loyalty Share Program is shown separately to reflect its one-time nature (see page 76 and 77).

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 2019. The fixed compensation paid to the members of the Executive Committee for the financial year 2019 is within the limit approved by the Board of Directors.

Compensation of the Executive Committee in 2019 (audited)

Compensation Components (in CHF)	**Marc von Waldkirch (CEO)**	**Other EC (5 members)**	**Total EC**
Base salary	441,012	1,205,011	1,646,023
Pension and social security, for base salary	73,533	197,258	270,791
Total fixed compensation	514,545	1,402,269	1,916,814
Variable bonus (restricted shares and RSUs)[1]	39,688	89,504	129,192
Social security, for variable bonus	3,175	7,160	10,335
Total compensation	**557,408**	**1,498,933**	**2,056,341**

[1] Variable bonus is based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 41.27), 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 11 May 2020. Following such approval, a revised fair value will be determined for accounting purposes only.

Compensation of the Executive Committee in 2018 (audited)

Compensation Components (in CHF)	**Marc von Waldkirch (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 was based on the average of the share prices over 10 (ten) trading days prior to the date of allocation (CHF 41.20), and consisted of 50% restricted shares subject to a blocking period of three years and 50 % RSUs subject to a vesting period of three years, and was subject to approval by the Annual General Meeting on 14 May 2019. Following such approval, a revised fair value was determined for accounting purposes only.

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

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

As of 31 December 2019, 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 2019, no compensation was paid to former members of the Executive Committee. As of 31 December 2019, 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 2019, no compensation was paid to parties closely related to current or former members of the Executive Committee. As of 31 December 2019, 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 2019, 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 2019 (the "2019 Bonus") and to any future bonuses.
- The IPO Loyalty Share Program was established in connection with the IPO in 2018 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 the 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.

As a consequence of not achieving financial targets for 2019 in terms of revenue growth and profitability, which were also affected by the difficult market circumstances, the Board of Directors, based on a suggestion of the Nomination and Compensation Committee, reduced the bonus for all employees, including the Executive Committee, by 50 % compared to 2018. In 2019, Sensirion awarded bonuses to 634 employees who, in accordance with the Bonus and RSU Plan, were given the opportunity to choose between payment of their 2019 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 2019 Bonus ended on 3 January 2020.

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 2019, 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 2019, the RSUs awarded for the 2019 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 page 74 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 in 2018. No additional RSUs have been or will be granted under the IPO Loyalty Share Program. The RSUs were 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 74 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 3.5 of the statutory financial statements of Sensirion Holding AG on page 140 of the Annual Report.

Auditor's Report

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 2019. 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 71, 72, 75 and 76 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 2019 of Sensirion Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Matthias Bachmann
Licensed Audit Expert

Zurich, 9 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

FINANCIAL REPORT 2019

Table of Contents

Financial Report

Consolidated Financial Statements

Consolidated Income Statement

In thousands of CHF, for the year ended 31 December	Note	2019	Δ in %	2018
Revenue	7	**170,960**	**(2.2 %)**	**174,810**
Cost of sales		(79,165)		(81,768)
Gross profit		**91,795**		**93,042**
– as % of revenue		53.7 %		53.2 %
Other income	10	–		1,102
Research and development expenses		(41,530)		(36,290)
Selling and distribution expenses		(27,124)		(26,440)
Administrative expenses		(25,143)		(35,770)
Operating profit (loss)		**(2,002)**	**(54.0 %)**	**(4,356)**
– as % of revenue		(1.2 %)		(2.5 %)
Finance income	11	588		591
Finance costs	11	(2,220)		(2,309)
Share of profit (loss) of equity-accounted investees, net of tax		(349)		(583)
Profit (loss) before tax		**(3,983)**		**(6,657)**
Income taxes	18.1	1,237		270
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		**(2,746)**	**57.0 %**	**(6,387)**
– as % of revenue		(1.6 %)		(3.7 %)
Earnings per registered share				
Basic earnings per registered share (in CHF)	12.1	(0.18)		(0.45)
Diluted earnings per registered share (in CHF)	12.1	(0.18)		(0.45)
Earnings before interest, tax, depreciation, and amortization (EBITDA)				
Earnings before interest, tax, depreciation, and amortization (EBITDA)	13	**12,327**		**9,232**
– as % of revenue		7.2 %		5.3 %
Adjusted earnings before interest, tax, depreciation, and amortization (Adjusted EBITDA)	13	**20,440**		**27,823**
– as % of revenue		12.0 %		15.9 %

The notes on pages 89 to 128 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	2019	Δ in %	2018
Profit (loss) for the period, attributable to owners of Sensirion Holding AG		**(2,746)**	**57.0 %**	**(6,387)**
Remeasurements of defined benefit obligation	15.2	(8,408)		2,492
Equity investment at FVOCI – net change in fair value	26.2	74		(346)
Related tax	18.3	2,051		(429)
Items that will not be reclassified to profit or loss		**(6,283)**		**1,717**
Foreign operations – foreign currency translation differences	18.3	(1,940)		(3,122)
Items that are or may be reclassified to profit or loss		**(1,940)**		**(3,122)**
Other comprehensive income for the period, net of tax	18.2	**(8,223)**		**(1,405)**
Total comprehensive income for the period, attributable to owners of Sensirion Holding AG		**(10,969)**	**40.8 %**	**(7,792)**

The notes on pages 89 to 128 are an integrated part of these consolidated financial statements.

Consolidated Statement of Financial Position

In thousands of CHF	Note	31 December 2019	in %	31 December 2018	in %
Assets					
Cash and cash equivalents		60,321		53,938	
Trade receivables	22	21,576		22,140	
Prepaid expenses		1,520		2,245	
Other receivables	22	3,442		3,843	
Inventories	21	21,978		30,176	
Total current assets		**108,837**	**50.5%**	**112,342**	**52.3%**
Property, plant and equipment	19	64,176		64,840	
Right-of-use assets	17	11,934		11,066	
Financial assets	26.2	3,519		3,445	
Equity-accounted investees		2,865		3,214	
Intangible assets	20.1	17,240		14,271	
Goodwill	20.2	5,360		5,737	
Deferred tax asset	18.4	1,566		–	
Total non-current assets		**106,660**	**49.5%**	**102,573**	**47.7%**
Total assets		**215,497**	**100.0%**	**214,915**	**100.0%**
Liabilities					
Trade payables		5,472		8,802	
Accrued expenses		3,979		4,320	
Employee benefits	14	5,017		4,393	
Lease liabilities	25/26.1	1,801		1,387	
Other liabilities		1,562		2,198	
Total current liabilities		**17,831**	**8.3%**	**21,100**	**9.8%**
Employee benefits	14	30,887		21,316	
Lease liabilities	25/26.1	10,540		9,978	
Deferred tax liabilities	18.4	–		2,088	
Total non-current liabilities		**41,427**	**19.2%**	**33,382**	**15.5%**
Total liabilities		**59,258**	**27.5%**	**54,482**	**25.4%**
Equity					
Share capital		1,529		1,514	
Capital reserve		147,888		144,530	
Treasury shares reserve		(1,735)		(5,137)	
Translation reserve		(918)		1,022	
Revaluation reserve		2,394		1,856	
Retained earnings		7,081		16,648	
Total equity, attributable to owners of Sensirion Holding AG	23	**156,239**	**72.5%**	**160,433**	**74.6%**
Total liabilities and equity		**215,497**	**100.0%**	**214,915**	**100.0%**

The notes on pages 89 to 128 are an integrated part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Attributable to owners of Sensirion Holding AG						
In thousands of CHF	Note	Share capital	Capital reserve	Treasury shares reserve	Translation reserve	Reval-uation reserve	Retained earnings	Total equity
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	18.3	–	–	–	(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	16.1	–	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**
Balance at 1 January 2019		**1,514**	**144,530**	**(5,137)**	**1,022**	**1,856**	**16,648**	**160,433**
Profit (loss) for the period		–	–	–	–	–	(2,746)	(2,746)
Other comprehensive income for the period	18.3	–	–	–	(1,940)	538	(6,821)	(8,223)
Total comprehensive income for the period		**–**	**–**	**–**	**(1,940)**	**538**	**(9,567)**	**(10,969)**
Capital increases		15	–	–	–	–	–	15
Sale of treasury shares		–	(3,402)	3,402	–	–	–	–
Equity-settled share-based payment transactions	16.1	–	6,760	–	–	–	–	6,760
Transactions with owners – contributions and distributions		**15**	**3,358**	**3,402**	**–**	**–**	**–**	**6,775**
Balance at 31 December 2019		**1,529**	**147,888**	**(1,735)**	**(918)**	**2,394**	**7,081**	**156,239**

The notes on pages 89 to 128 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	2019	2018
Cash flows from operating activities			
Profit (loss) for the period		**(2,746)**	**(6,387)**
Adjustments for:			
– Depreciation and amortization	17/19/20	15,893	15,354
– Loss (gain) on sale of intangible assets, property, plant and equipment and asset held for sale		(11)	(887)
– Other non-cash expense (income)		(470)	(687)
– Financial result without foreign exchange (gain)/loss		644	1,718
– Share of loss (profit) of equity-accounted investees, net of tax		349	583
– Equity-settled share-based payment transactions		6,554	15,369
– Tax expense (income)	18	(1,237)	(270)
Changes in:			
– Trade and other receivables		965	(1,711)
– Prepaid expenses		725	(732)
– Inventories		8,198	(4,384)
– Trade and other payables		(3,966)	6,166
– Accrued expenses		(454)	1,916
– Employee benefits		1,787	1,166
Interest and bank charges paid	11	(471)	(488)
Income taxes paid		(42)	(132)
Short-term lease payments and payments for leases of low-value assets not included in the measurement of the lease liability	17	–	(158)
Net cash from operating activities		**25,718**	**26,436**
Cash flows from investing activities			
Acquisition of property, plant and equipment	19	(10,249)	(9,410)
Proceeds from sale of property, plant and equipment		11	613
Repayment of contingent consideration		–	3,724
Acquisition of financial assets		–	(463)
Acquisition of intangible assets	20	(4,122)	(1,973)
Proceeds from sale of asset held for sale	10	–	6,591
Development expenditure	20	(2,798)	(2,754)
Net cash from investing activities		**(17,158)**	**(3,672)**
Cash flows from financing activities			
Payment of lease liabilities	17	(1,774)	(1,910)
Proceeds from issue of share capital		15	93,172
Transaction costs related to issue of share capital		(67)	(1,700)
Repayment of loans and borrowings	25	–	(67,560)
Repurchase of treasury shares and participation certificates		–	(66)
Net cash from financing activities		**(1,826)**	**21,936**
Net change in cash and cash equivalents		**6,734**	**44,700**
Cash and cash equivalents at 1 January		53,938	9,393
Effect of movements in exchange rates on cash held		(351)	(155)
Cash and cash equivalents at 31 December		**60,321**	**53,938**

The notes on pages 89 to 128 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) and the additional provisions of Swiss Commercial law.

The consolidated financial statements were authorized for issue by the Board of Directors on 9 March 2020.

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

A number of new requirements are effective from 1 January 2019 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
Financial assets at FVPL (IFRS 9)	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

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 20 – Capitalization of development costs;
- Note 21 – Inventories.

3.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 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 15 – Measurement of defined benefit obligations: key actuarial assumptions;
- Note 20 – Impairment test: key assumptions underlying recoverable amounts;
- Note 26 – Determining the fair value of financial instruments on the basis of significant unobservable inputs.

4 Basis of consolidation

4.1 Business combinations

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 shown as an expense in the period in which they are incurred, except if they are 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 and significant influence over the following associate.

For the year ended 31 December		2019			2018	
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	28,450,000	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.

An associated company is a company in which Sensirion Group has significant influence. Significant influence is the ability to participate in the financial and business policy decisions of the investee, but not control or joint control of these decisions.

Interests in associated companies are accounted using the equity method. Equity investments are initially recognized at cost, which includes transaction costs. Any goodwill identified is included in the carrying amount of the investment and is not recognized as separate goodwill. Subsequent to the initial recognition, the results of associated companies is absorbed into the Group pro rata and allocated to the carrying amount of the investment. Profit distributions by these companies reduce their carrying amount.

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, which leads to a loss of control, 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. The actuarial assumptions on which the calculations are based are determined by market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

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 on borrowings / lease liabilities;
- net interest costs on the defined benefit liability and other long-term employee benefits;
- changes in the fair value of financial assets at fair value through profit or loss;
- 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 can be assumed with sufficient probability that the respective company will have sufficient taxable income against which temporary differences and unutilized loss carryforwards 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 when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

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 life, 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 life, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful life of property, plant and equipment for current and comparative periods is as follows:

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

Depreciation methods, useful life, 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 life 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 life and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful life for current and comparative periods is as follows:

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

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

5.8 Financial instruments

5.8.1 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 fair value, 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.

5.8.2 Financial assets – Classification and subsequent measurement

The Group classifies non-derivative financial assets into the following categories: “amortized cost”, “fair value through profit or loss (FVPL)” and “fair value through other comprehensive income (FVOCI)” and subsequent measurement at “amortized cost”.

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 that are neither measured at amortised cost nor measured at FVOCI are measured at FVPL.

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.
Financial assets at fair value through profit or loss (FVPL)	These are financial assets whose performance is evaluated on a fair value basis. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and presented within other financial income (expense) in the period in which it arises.

5.8.3 Financial liabilities

Financial liabilities are measured at amortized cost. 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.

5.8.4 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.

5.8.5 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.

5.9 Impairment

5.9.1 Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for expected credit losses (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. The Group recognized loss allowances for expected credit losses for trade receivables only. The impairment has been recorded 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.

5.9.2 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.

5.10 Share capital

5.10.1 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.

5.10.2 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.

5.11 Leases

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.

Assets and liabilities arising from a lease are initially measured on a present value basis, 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.

5.12 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.

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 accessible to the Group on the measurement date 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 in which the change has occurred.

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

- Note 16 – Share-based payment arrangement;
- Note 26 – Financial instruments.

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 Amendments issued but not yet effective

The following revised standards 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
Revision or amendments of standards and interpretations		
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 8)	1 January 2020	Reporting year 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	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.

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	2019		2018	
Revenue – Geographic information by countries				
Switzerland	3,734	2.2 %	3,782	2.2 %
Germany	31,890	18.7 %	30,895	17.7 %
USA	30,699	18.0 %	31,977	18.3 %
South Korea	21,377	12.5 %	22,366	12.8 %
China	20,817	12.2 %	21,352	12.2 %
Australia	15,032	8.8 %	18,058	10.3 %
Other foreign countries	47,411	27.6 %	46,380	26.5 %
Total	**170,960**	**100.0 %**	**174,810**	**100.0 %**

In thousands of CHF, for the year ended 31 December, and as % of revenue	2019		2018	
Revenue – Geographic information by region				
APAC	78,026	45.6 %	81,313	46.5 %
EMEA	58,831	34.4 %	56,266	32.2 %
Americas	34,103	20.0 %	37,231	21.3 %
Total	**170,960**	**100.0 %**	**174,810**	**100.0 %**

In thousands of CHF	31 Dec 2019		31 Dec 2018	
Non-current assets – Geographic information				
Switzerland	79,575	78.3 %	78,372	79.1 %
South Korea	15,944	15.7 %	17,199	17.3 %
China	5,585	5.5 %	3,189	3.2 %
USA	367	0.4 %	359	0.4 %
Other foreign countries	104	<0.1 %	9	<0.1 %
Total	**101,575**	**100.0 %**	**99,128**	**100.0 %**

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

In total, the Group generated more than 10 % of its total sales with two customers (previous year's period: 10 % revenue generated with one costumer).

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	2019		2018	
Revenue – per customer market				
Industrial	70,342	41.1 %	68,626	39.3 %
Automotive	51,345	30.0 %	53,921	30.8 %
Medical	35,139	20.6 %	38,555	22.1 %
Consumer	14,134	8.3 %	13,708	7.8 %
Total	**170,960**	**100.0 %**	**174,810**	**100.0 %**

8 Expenses by nature

In thousands of CHF	Note	2019	2018
Changes in inventories		(8,198)	4,384
Raw materials and consumables		(38,305)	(47,009)
Employee benefits	9	(94,399)	(101,296)
Depreciation and amortization	17/19/20	(15,893)	(15,354)
Other		(16,167)	(20,933)
Total cost of sales, research, and development expenses, selling and distribution expenses, and administrative expenses		**(172,962)**	**(180,268)**

9 Employee benefit expenses / personnel costs

In thousands of CHF	Note	2019	2018
Wages and salaries		71,771	68,616
Social security contributions		5,433	7,054
Contributions to defined contribution plans		1,088	1,048
Post-employment defined benefit plans	15.2	4,570	3,186
Other long-term employee benefits		342	330
Share-based payment		6,554	15,369
Other employee benefit expenses		4,641	5,693
Total		**94,399**	**101,296**

10 Other income

In 2018, the Group recognized other income due to a sale of fully depreciated equipment and due to a 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 was acquired in the business combination in 2017. The sale was effective 27 December 2018 and a respective gain of CHF 280 thousand was recognized in 2018.

11 Net finance costs

In thousands of CHF	Note	2019	2018
Finance income			
Net foreign exchange gains		508	532
Other financial income		80	59
Finance income		588	**591**

In thousands of CHF	Note	2019	2018
Finance costs			
Interest expense on loans and borrowings		(13)	(286)
Interest expense on lease liabilities		(404)	(249)
Net foreign exchange losses		(1,496)	(1,454)
Bank charges		(54)	(151)
Net interest costs of defined benefit plans	15.2	(162)	(168)
Other financial costs		(91)	(1)
Finance costs		**(2,220)**	**(2,309)**
Net finance costs recognized in profit and loss		**(1,632)**	**(1,718)**

12 Earnings per registered share

12.1 Basic earnings per share

The weighted-average number of registered shares for the period ended 31 December 2019 for the purpose of calculating basic earnings per registered share amounts to 15,186,385 (2018: 14,289,768).

12.2 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 15,186,385 (2018: 14,289,768). The effects of all potential ordinary shares is anti-dilutive.

13 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 and certain non-recurring items that management believes are not indicative of operational performance.

The non-recurring items are expenses from the IPO Loyalty Share Program, including social security expenses; expenses on social security related to the gain in excess of formula value which was 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	2019	2018
Reconciliation of profit (loss) to Adjusted EBITDA for the period			
Profit (loss) for the period		**(2,746)**	**(6,387)**
Net interest expenses	11	417	535
Income taxes	18	(1,237)	(270)
Depreciation	17/19	11,889	11,578
Amortization	20	4,004	3,776
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		**12,327**	**9,232**
Adjusted for:			
– Net finance cost excluding net interest expenses		1,215	1,183
– Share of loss (profit) of equity-accounted investees, net of tax		349	583
– Past service credit on defined benefit obligation (1e Plan)	15.2	–	(1,971)
– IPO Loyalty Share Program, including social security expenses	16.1	6,549	16,157
– Expenses on social security relating to the gain in excess of formula value		–	697
– Costs related to initial public offering		–	3,044
– Acquisition-related costs (income)		–	(1,102)
Adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA)		**20,440**	**27,823**

14 Employee benefits

In thousands of CHF	Note	31 December 2019	31 December 2018
Short-term employee benefits		5,017	4,393
Total employee benefit liabilities, current		**5,017**	**4,393**
Net defined benefit liability	15	27,573	18,482
Other long-term employee benefit liabilities		3,314	2,688
Cash-settled share-based payment liability		–	146
Total employee benefit liabilities, non-current		**30,887**	**21,316**

For details on the related employee benefit expenses, see Note 9.

15 Post-employment benefits

15.1 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.

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. 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. 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.

In 2019, the Group's net defined benefit liability increased by CHF 9,091 thousand, mainly caused by a reduction of the discount rate applicable for the calculation of the actuarial loss on financial assumptions effective as of 1 January 2020. In prior year, the net defined benefit liability decreased by CHF 2,590 thousand 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 in 2018 as a result of the plan amendment.

Plan assets are managed and continually monitored by the pension fund company. The effective return on plan assets in 2019 amounted to CHF 4,639 thousand (31 December 2018: CHF 2,793 thousand) and resulted in a deficit of CHF 27,573 thousand for the Pension plan recognized as non-current liability as of 31 December 2019 (31 December 2018: CHF 18,482 thousand).

Composition of plan assets

The plan assets are divided among the individual investment categories as follows:

In thousands of CHF	**31 December 2019**	**31 December 2018**
Assets held by insurance company (Switzerland)	68,334	59,854
Others (Switzerland)	1,181	541
Others (South Korea)	2,215	1,172
Total	**71,730**	**61,567**

15.2 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	2019			2018		
	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	**(80,049)**	**61,567**	**(18,482)**	**(76,520)**	**55,448**	**(21,072)**
Included in profit or loss						
Current service (cost)	(4,479)	–	(4,479)	(5,030)	–	(5,030)
Past service (cost) credit	–	–	–	1,971	–	1,971
Interest (cost) income	(798)	636	(162)	(653)	485	(168)
Administration expenses	–	(91)	(91)	–	(127)	(127)
Total Included in profit or loss	**(5,277)**	**545**	**(4,732)**	**(3,712)**	**358**	**(3,354)**
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
– changes in demographic assumptions	(39)	–	(39)	–	–	–
– changes in financial assumptions	(13,040)	–	(13,040)	1,016	–	1,016
– experience adjustments	668	–	668	(832)	–	(832)
Return on plan assets excluding interest income	–	4,003	4,003	–	2,308	2,308
Effect of movements in exchange rates	207	(137)	70	95	(43)	52
Total Included in OCI	**(12,204)**	**3,866**	**(8,338)**	**279**	**2,265**	**2,544**
Other						
Contributions paid by the employer	–	3,675	3,675	–	3,083	3,083
Contributions paid by plan participants	(2,860)	2,860	–	(2,249)	2,249	–
Benefits (paid)/received	1,087	(783)	304	2,153	(1,836)	317
Total Other	**(1,773)**	**5,752**	**3,979**	**(96)**	**3,496**	**3,400**
Closing amount	**(99,303)**	**71,730**	**(27,573)**	**(80,049)**	**61,567**	**(18,482)**
Represented by						
Net defined benefit liability – Switzerland	(96,245)	69,515	(26,730)	(77,047)	59,795	(17,252)
Net defined benefit liability – South Korea	(3,059)	2,215	(844)	(3,003)	1,773	(1,230)

The Group expects to pay CHF 3,630 thousand in contributions to its defined benefit plans in the next financial year.

15.3 Actuarial assumptions

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

In thousands of CHF	31 December 2019	31 December 2018
Switzerland		
Discount rate	0.20 %	0.95 %
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 2019, the weighted-average duration of the defined benefit obligation was 22 years (2018: 21.3 years).

15.4 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 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 % movement) – Switzerland	(5,135)	5,578	(2,061)	2,253
Future salary growth (0.5 % movement) – Switzerland	2,252	(2,121)	1,257	(1,175)

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 35,950 thousand (2018: CHF 22,957 thousand). The service costs for Switzerland would be CHF 4,390 thousand instead (2018: CHF 4,959 thousand). The actual service costs including application of risk-sharing assumptions for the Swiss pension plan amount to CHF 4,049 thousand (2018: CHF 4,570 thousand).

16 Share-based payment arrangement

16.1 Description of share-based payment arrangements

At 31 December 2019, 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 have been vested if the employee had not resigned or if the Group had 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 replaced the respective RSU.

The Group granted 560,267 RSU under the IPO Loyalty Share Program in 2018. The fair value of one RSU at grant date amounted to CHF 35.90, whereas the amount that was paid in cash has been 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 was 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. In 2019, the Group has recognized the second part of the IPO Loyalty Share Program in profit or loss in the amount of CHF 6,549 thousand, including social security expenses of CHF 795 thousand. These expenses are classified under "Administrative expenses" in the consolidated income statement.

According to the terms of the plan, 50 % of the allocated amount of RSU, in total 264,125 RSU, have been vested on 15 January 2019. The remaining 50 % of the allocated RSU will vest at 15 January 2020 provided that the employment relationship still exists on the vesting date.

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

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 RSU 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 RSU vest over a period of three years starting from the end of the election period.

The number of shares granted to employees amounts to 18,967 (2018: 50,593) and the number of RSU granted amounts to 4,624 (2018: 12,648). The fair value of one share at grant date amounts to CHF 41.70 (2018: CHF 38.90) and the fair value of one RSU at grant date amounts to CHF 41.70 (2018: 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 1,569 (2018: 3,588) and the number of RSU granted amounts to 1,569 (2018: 3,588). The estimated fair value of one share at grant date amounts to CHF 40.95 (2018: CHF 42.15) and the estimated fair value of one RSU at grant date amounts to CHF 40.95 (CHF 2018: 42.15). The values correspond or are derived from the listed share price of the Company's shares at 31 December 2019. These estimated fair values will be updated to reflect the circumstances at the date of the next annual general meeting.

For 2019, the Group granted a total annual bonus amount of CHF 2,564 thousand (2018: CHF 4,376 thousand). The amount is split between cash bonus of CHF 1,452 thousand (2018: CHF 1,613 thousand) and equity bonus of CHF 1,112 thousand (2018: CHF 2,763 thousand).

16.2 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 2019	31 December 2018
Restricted share units – IPO Loyalty Share Program	259,973	527,863
Restricted share units – Bonus and Restricted Share Unit Plan	22,316	16,236

16.3 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:

In options	Number of RSU	Weighted-average exercise price (in CHF)	Number of options on participation certificate	Weighted-average exercise price (in CHF)
2019				
Outstanding at 1 January	544,099	–	–	–
Exercised during the year	(264,125)	–	–	–
Granted during the year	6,193	0.10	–	–
Forfeited during the year	(3'878)	0.10	–	–
Outstanding at 31 December	**282,289**	**0.10**	**–**	**–**
Exercisable at 31 December	–	–	–	–
2018				
Outstanding at 1 January	–	–	2,479	0.10
Exercised during the year	–	–	(2,479)	0.10
Granted during the year	576,503	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**	**–**	**–**
Exercisable at 31 December	–	–	–	–

The RSU outstanding at 31 December 2019 had an exercise price of CHF 0.10 (31 December 2018: CHF 0.10) and a weighted-average contractual life of 0.13 years (31 December 2018: 0.66 years).

17 Leases

17.1 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 2019	31 December 2018
Right-of-use assets		
Buildings	11,911	11,036
Cars	23	30

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

In thousands of CHF	2019	2018
Depreciation charge of right-of-use assets		
Buildings	1,926	1,599
Cars	20	19
Expenses		
Related to short-term leases/low-value asset leases	52	158

Further information relating to leases are as follows:

In thousands of CHF	2019	2018
Total cash outflows for leases	2,178	1,910
Additions to right-of-use assets	2,814	1,617

As of 31 December 2019, there are additional future leasing obligations with a total contract value of CHF 1,968 thousand for which the leasing period has not yet started at year end.

17.2 Short-term leases and leases of low-value assets

The Group applies the short-term lease and leases of low-value assets exemption. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. 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 are not exceeding an amount of CHF 5 thousand and mainly relate to equipment and small items of office furniture.

18 Income taxes

18.1 Tax income (expense) in the period

In thousands of CHF	Note	2019	2018
Current tax expense		**(366)**	**(306)**
Origination and reversal of temporary differences		1,456	(92)
Recognition of previously unrecognized tax losses	18.5	–	668
Changes in tax rate		147	–
Deferred tax income (expense)	18.4	**1,603**	**576**
Total		**1,237**	**270**

18.2 Effective tax rate reconciliation

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 18.4 % (previous year: 20 %) relates to the tax rate applicable at the domicile of Sensirion Holding AG. As a result of the Swiss Tax Reform, the holding privilege for Sensirion Holding AG will no longer be applicable in the future. However, the tax burden is expected to remain lower due to the introduction of further tax-reducing measures.

This equates to a reduction of the Group underlying tax rate from 20 % to 18.4 % from 2020 onwards, assuming no other changes. Deferred tax assets and liabilities applied for future taxation had to be adjusted accordingly. The tax rate reduction triggered a one-time deferred tax gain in 2019 of CHF 147 thousand.

In thousands of CHF	Note	2019	2018
Profit (loss) before tax		**(3,983)**	**(6,657)**
Tax using the Group's tax rate of 18.4 % (2018: 20 %)		797	1,331
Tax effect of			
– Non-deductible expenses		38	(302)
– Effect of companies with mixed tax rates		555	(420)
– Current year losses not recognized	18.5	(311)	(317)
Recognition of previously unrecognized tax losses	18.5	–	668
Excess taxes deduction recognized in equity		(206)	(448)
Changes in tax rate		147	–
Other		217	(242)
Income taxes		**1,237**	**270**

18.3 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
2019			
Remeasurement of net defined benefit obligation	(8,408)	1,587	(6,821)
Foreign operations – foreign currency translation differences	(1,940)	–	(1,940)
Equity investments at FVOCI – net change in fair value	74	464	538
Other comprehensive income	**(10,274)**	**2,051**	**(8,223)**
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)**

18.4 Movement in deferred tax balances

				Balance at 31 December		
In thousands of CHF	Net balance at 1 January	Recognized in profit or loss	Recognized in OCI	Net	Deferred tax assets	Deferred tax liabilities
2019						
Trade receivables	(850)	57	–	(793)	–	793
Inventories	(1,841)	651	–	(1,190)	–	1,190
Property, plant and equipment	(3,043)	272	–	(2,771)	–	2,771
Right-of-use assets	(2,213)	(23)	–	(2,236)	–	2,236
Financial assets	(464)	–	464	–	–	–
Intangible assets	(2,012)	108	–	(1,904)	–	1,904
Employee benefits (current)	(1,567)	161	–	(1,406)	–	1,406
Provisions	(1,004)	(7)	–	(1,011)	–	1,011
Lease liabilities	2,070	170	–	2,240	2,240	–
Employee benefits (non-current)	4,358	(55)	1,587	5,890	5,890	–
Tax losses carried forward	4,478	269	–	4,747	4,747	–
Tax assets (liabilities) before set-off	**(2,088)**	**1,603**	**2,051**	**1,566**	**12,877**	**11,311**
Set-off of tax	–	–	–	–	(11,311)	(11,311)
Net tax assets (liabilities)	**(2,088)**	**1,603**	**2,051**	**1,566**	**1,566**	**–**

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	**(2,235)**	**576**	**(429)**	**(2,088)**	**10,906**	**12,994**
Set-off of tax	–	–	–	–	(10,906)	(10,906)
Net tax assets (liabilities)	**(2,235)**	**576**	**(429)**	**(2,088)**	–	**2,088**

Deferred tax assets and liabilities are measured at the tax rates currently applicable in the individual countries and applied to future taxation. Deferred tax assets consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of 31 December 2019, deferred tax assets were capitalized on tax loss carry forwards in the amount of CHF 4,747 thousand (2018: CHF 4,478 thousand).

18.5 Unrecognized deferred tax assets

The Group has CHF 3,144 thousand of unrecognized tax loss carry forwards and tax credits available (2018: CHF 1,587 thousand).

	31 December 2019		31 December 2018	
In thousands of CHF	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets	Unrecognized tax losses and tax credits	Unrecognized deferred tax assets
Expires in 3 years	3,144	629	–	–
Expires in 4 years or beyond	1,587	317	1,587	317
Total	**3,144**	**629**	**1,587**	**317**

19 Property, plant and equipment

In thousands of CHF	Land and buildings	Production facilities	Under construction	Other	Total
Cost					
Opening amount 1 January 2019	**49,573**	**70,045**	**5,312**	**14,572**	**139,502**
Additions	737	3,730	4,130	1,652	10,249
Disposals	–	(1,297)	–	(1,196)	(2,493)
Reclassifications	44	2,352	(4,060)	1,450	(213)
Currency translation differences	(478)	3	(67)	(139)	(681)
Closing amount 31 December 2019	**49,876**	**74,833**	**5,315**	**16,339**	**146,363**
Accumulated depreciation and impairment					
Opening amount 1 January 2019	**13,334**	**52,248**	**–**	**9,080**	**74,662**
Depreciation	1,876	5,860	–	2,207	9,943
Disposals	–	(1,282)	–	(1,172)	(2,454)
Currency translation differences	(13)	94	–	(45)	36
Closing amount 31 December 2019	**15,197**	**56,920**	**–**	**10,070**	**82,187**
Total carrying amount	**34,679**	**17,913**	**5,315**	**6,269**	**64,176**
Carrying amount pledged as security for liabilities	**–**	**–**	**–**	**–**	**–**
Cost					
Opening amount 1 January 2018	**49,597**	**68,613**	**3,781**	**10,878**	**132,869**
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	**–**	**–**	**–**	**–**	**–**

20 Goodwill and intangible assets

20.1 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 2019	**11,150**	**9,238**	**11,215**	**2,516**	**636**	**1,072**	**24,677**
Additions – internally developed	–	–	1,309	–	1,489	–	2,798
Additions – separately acquired	–	3,953	–	169	–	–	4,122
Disposals	–	(153)	–	–	–	–	(153)
Reclassifications	–	–	574	38	(399)	–	213
Currency translation differences	(254)	(182)	131	(5)	–	–	(56)
Closing amount 31 Dec 2019	**10,896**	**12,856**	**13,229**	**2,718**	**1,726**	**1,072**	**31,601**
Accumulated amortization and impairment							
Opening amount 1 Jan 2019	**5,413**	**3,514**	**4,914**	**1,219**	**–**	**759**	**10,406**
Amortization	–	1,161	1,966	629	–	248	4,004
Disposals	–	(149)	–	–	–	–	(149)
Currency translation differences	123	(34)	131	3	–	–	100
Closing amount	**5,536**	**4,492**	**7,011**	**1,851**	**–**	**1,007**	**14,361**
Total carrying amount 31 Dec 2019	**5,360**	**8,364**	**6,218**	**867**	**1,726**	**65**	**17,240**
Cost							
Opening amount 1 Jan 2018	**11,536**	**9,107**	**8,794**	**2,115**	**–**	**990**	**21,006**
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
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**

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.

Internal development costs in the total amount of CHF 2,798 thousand (2018: CHF 2,754 thousand) and have been capitalized in the current financial year.

20.2 Impairment testing of goodwill

Goodwill at the level of cash-generating units (GCUs) is tested for impairment at least once per year or more frequently if there are indications of impairment. The Group carries out annual impairment testing as of 31 December of each fiscal year. Indications of impairment include, for example, a marked drop in the fair value of an asset, significant changes in the business environment, substantial evidence of obsolescence or a change in expected income. The basis for the impairment test is the calculation of the recoverable amount, which is the higher of fair value les costs to sell or the carrying amount. If the amount of impairment exceeds the goodwill assigned to the CGU, the units of other asset must be written down proportionately in line with their carrying amounts.

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

In thousands of CHF	31 December 2019	31 December 2018
CGU Automotive Solutions	5,360	5,737
Total Goodwill	**5,360**	**5,737**

Impairment test on CGU Automotive Solutions

The CGU Automotive Solutions comprises the sensor and module business of AIC, 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 particulate matter (PM2.5) 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.

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 2019	31 December 2018
Discount rate	12.55 %	14.70 %
Terminal growth rate	1.93 %	2.50 %

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

The basis of the discounted cash flow method in the Group is future cash flows derived from a five-year earnings planning. 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.

Goodwill was subjected to the annual impairment test as of 31 December 2019. In 2019 the recoverable amount of the CGU Automotive Solutions is higher than its carrying amount. Therefore, no impairment loss was recognized in 2019.

20.3 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".

21 Inventories

In thousands of CHF	31 December 2019	31 December 2018
Purchased parts	9,612	11,406
Semi-finished and finished goods	11,935	17,369
Work in progress	3,678	4,137
Total	**25,225**	**32,912**
Allowance on purchased parts	(1,425)	(295)
Allowance on semi-finished and finished goods	(1,822)	(2,441)
Total	**(3,247)**	**(2,736)**
Total Inventories	**21,978**	**30,176**

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. Valuation allowances are calculated based on historical experience including management's judgement which directly affects the carrying amount of inventories.

In 2019, inventory of CHF 42,660 thousand (2018: CHF 42,625 thousand) was recognized as expenses and included in "Cost of sales".

In addition, during 2019 inventory allowances have increased by CHF 511 thousand (2018: increased by CHF 747 thousand).

22 Trade and other receivables

In thousands of CHF	31 December 2019	31 December 2018
Trade receivables, gross	21,652	22,230
Allowance for doubtful receivables	(76)	(90)
Total trade receivables	**21,576**	**22,140**
Non-income tax receivables	1,138	2,351
Social security	249	50
Other	2,055	1,442
Total other receivables	**3,442**	**3,843**

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 26.

23 Equity

23.1 Share capital

As of 31 December 2019, the fully paid-up share capital of the parent company, Sensirion Holding AG, in the total amount of CHF 1,529,298 (2018: CHF 1,514,017) is divided into 15,292,984 registered shares (2017: 15,140,172) with a nominal value of CHF 0.10. Holders of these shares are entitled to dividends and 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.

	2019			
In shares	Registered shares	Ordinary shares	Voting shares	Participation certificates
Total in issue at 1 January	**15,140,172**	**–**	**–**	**–**
Capital increase from authorized share capital	152,812	–	–	–
Outstanding at 31 December	**15,292,984**	**–**	**–**	**–**

	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 2019, a total of 264,125 employee options were exercised at an exercise price of the nominal value of CHF 0.10. The options have been exercised through a conditional capital increase of 149,224 shares and the issue of 114,901 treasury shares. The costs arising from the capital increase were deducted from the capital reserve and amounted to CHF 67 thousand.

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

23.1.1 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.

23.1.2 Conditional capital

As of 31 December 2019, the Company's conditional capital amounts to CHF 332 thousand, encompassing 3,319,439 shares each with a nominal value of CHF 0.10. In prior year, the company's conditional capital amounted to CHF 347 thousand, encompassing 3,472,251 shares with a nominal value of CHF 0.10.

The Company's conditional capital is composed as follows:

In shares	2019
Conditional share capital for employee participations	1,452,229
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	411,393
Total conditional share capital at 31 December	**3,319,439**

23.2 Nature and purpose of reserves

23.2.1 Capital reserve

The capital reserve comprises share premiums, the gain or loss on sale of treasury shares, 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.

23.2.2 Treasury shares reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares directly held by the Group. As of 31 December 2019, the Group held 75,857 of the Company's registered shares (2018: 241,351 registered shares). The treasury shares held at 31 December 2019 account for 0.5 % of the issued capital.

23.2.3 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.

23.2.4 Revaluation reserve

The revaluation reserve relates to the fair value revaluation of equity investments at FVOCI, including income tax effects.

23.2.5 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.

23.3 Dividends

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

23.4 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
2019					
Remeasurements of defined benefit liability	18.3	–	–	(6,821)	**(6,821)**
Foreign operations – foreign currency translation differences	18.3	(1,940)	–	–	**(1,940)**
Equity investments at FVOCI – net change in fair value	18.3		538	–	**538**
Total		**(1,940)**	**538**	**(6,821)**	**(8,223)**
2018					
Remeasurements of defined benefit liability	18.3	–	–	1,994	**1,994**
Foreign operations – foreign currency translation differences	18.3	(3,122)	–	–	**(3,122)**
Equity investments at FVOCI – net change in fair value	18.3	–	(277)	–	**(277)**
Total		**(3,122)**	**(277)**	**1,994**	**(1,405)**

24 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	31 December 2019	31 December 2018
Total liabilities	(59,258)	(54,482)
Less: cash and cash equivalents	60,321	53,938
Net cash (debt)	**1,063**	**(544)**
Total equity	156,239	160,433
Net cash (debt) to equity ratio	**0.7%**	**(0.3%)**

25 Loans and borrowings

Since 2018, the Group has no loans or borrowings outstanding. The unused lines of credit amount to CHF 40,000 thousand as of 31 December 2019 (2018: CHF 40,000 thousand). For more information about the Group's exposure to foreign currency and liquidity risk, see note 26.3.4.

The table below provides reconciliation of movements of financial liabilities to cash flows arising from financing activities.

		Liabilities	
In thousands of CHF	Note	Borrowings	Lease liabilities
Balance at 1 January 2019		–	**11,365**
Changes from financing cash flows			
Payment of lease liabilities	17	–	(1,774)
Repayment from loans and borrowings		–	–
Total changes from financing cash flows		–	**(1,774)**
The effect of changes in foreign exchange rates		–	(64)
Other changes			
New leases		–	2,814
Interest expenses	11	13	404
Interest paid	11	(13)	(404)
Total other changes		**–**	**2,814**
Balance at 31 December 2019		**–**	**12,341**
Balance at 1 January 2018		**67,560**	**11,178**
Changes from financing cash flows			
Payment of lease liabilities	17	–	(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	11	286	375
Interest paid	11	(286)	(36)
Total other changes		–	**1,956**
Balance at 31 December 2018		**–**	**11,365**

26 Financial instruments

26.1 Accounting classifications and fair values

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 2019		Carrying amount					Fair value			
In thousands of CHF	Note	Financial assets at amortized cost	FVPL – Fair value through P/L	FVOCI – equity instru-ments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Equity securities	26.2	–	–	3,519	–	**3,519**	–	–	3,519	**3,519**
Other receivables	22	–	500	–	–	**500**	–	–	500	**500**
Total financial assets measured at fair value		**–**	**500**	**3,519**	**–**	**4,019**	**–**	**–**	**4,019**	**4,019**
Financial assets not measured at fair value										
Trade receivables	22	21,576	–	–	–	**21,576**	–	–	–	**–**
Cash and cash equivalents		60,321	–	–	–	**60,321**	–	–	–	**–**
Total financial assets not measured at fair value		**81,897**	**–**	**–**	**–**	**81,897**	**–**	**–**	**–**	**–**
Financial liabilities not measured at fair value										
Trade payables		–	–	–	5,472	**5,472**	–	–	–	**–**
Lease liabilities	25	–	–	–	12,341	**12,341**	–	–	–	**–**
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**17,813**	**17,813**	**–**	**–**	**–**	**–**

As of 31 December 2018		Carrying amount					Fair value			
In thousands of CHF	Note	Financial assets at amortized cost	FVPL – Fair value through P/L	FVOCI – equity instru-ments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Equity securities	26.2	–	–	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	22	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	25	–	–	–	11,365	**11,365**	–	–	–	**–**
Total financial liabilities not measured at fair value		**–**	**–**	**–**	**20,167**	**20,167**	**–**	**–**	**–**	**–**

26.2 Fair value measurements

The fair value of equity securities classified in level 3 has been 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. As of 31 December 2019, the growth rates beyond the detailed planning periods have been set between 1.00 % and 2.00 % (2018: 1.20 %). The risk adjusted discount factor used for determination of fair value are set by 11.00 % and 36.29 % (2018: 10.00 % and 36.29 %). The projected average EBITDA amounts to between CHF 2,142 thousand and CHF 4,716 thousand (2018: CHF 2,139 thousand and CHF 2,458 thousand).

The fair value for other receivables measured at FVPL and assigned to level 3 has been determined by discounting the estimated future cash flows using a risk adjusted discount factor of 11.00 % and a growth rate of 2.00 %.

The estimated fair value would increase (decrease) if:

- the annual revenue growth rate was higher (lower);
- the EBITDA were higher (lower); or
- the risk-adjusted discount rate was lower (higher).

The valuation model for financial liabilities not measured at fair value, which mainly consists of lease liabilities, considers the present value of expected payments which have been discounted by using an incremental borrowing rate. Possible changes at the reporting date to one of the significant unobservable inputs in the fair value measurement of equity securities at FVOCI would have the following effects:

	OCI, net of tax			
Effect in thousands of CHF	**31 December 2019**		**31 December 2018**	
	Increase	Decrease	Increase	Decrease
Annual revenue growth rate (10 % movement)	542	(542)	850	(850)
Average EBITDA (10 % movement)	347	(347)	358	(358)

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

In thousands of CHF	**2019** **Equity securities**	**2018** **Equity securities**	**2019** **Other receivables**	**2018** **Other receivables**
Opening amount	**3,445**	**3,328**	**–**	**–**
Acquisition of capital	–	463	–	–
Acquisition of convertible loan	–	–	500	–
Profit (loss) included in other comprehensive income	74	(346)	–	–
Closing amount	**3,519**	**3,445**	**500**	**–**

26.3 Financial risk management

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

26.3.1 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.

26.3.2 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 have not 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 2019:

				31 December 2019
In thousands of CHF	**ECL rate**	**Gross carrying amount trade receivables**	**Impairment allowance**	**Credit-impaired**
Current (not past due)	0.01 %	17,282	(1)	No
1-30 days past due	0.01 %	4,056	–	No
31-60 days past due	0.01 %	137	–	No
61-90 days past due	0.21 %	4	–	No
Over 90 days past due	11.58 %	173	(75)	Yes
Total		**21,652**	**(76)**	

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 2019	31 December 2018
Germany	4,025	3,381
South Korea	3,374	3,771
China	2,857	3,908
Hong Kong	2,825	3,584
USA	1,928	2,155
Thailand	1,721	2,093
Japan	1,200	1,412
Switzerland	180	365
Other	3,466	1,471
Total	**21,576**	**22,140**

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

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:

Loss allowance details

	2019	2018
In thousands of CHF	Individual impairments	Individual impairments
Balance at 1 January	**90**	**14**
Amounts written off	–	–
Net remeasurement of loss allowance	(14)	76
Balance at 31 December	**76**	**90**

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries. At 31 December 2019, 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 (2018: CHF 40,000 thousand).

26.3.3 Liquidity risk

A liquidity risk arises if future payment obligations of the Group cannot be covered by its available liquidity or corresponding credit facilities. 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. Suitable processes are in place within the Group with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis.

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

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 2019 (31 December 2018: CHF 40,000 thousand). No credit lines are used as of 31 December 2019 (31 December 2018: CHF 0).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, 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 2019							
Non-derivative financial liabilities							
Trade payables	5,472	**5,472**	5,472	–	–	–	–
Lease liabilities	12,341	**13,555**	364	1,746	3,836	3,069	4,540
Total non-derivative financial liabilities	**17,813**	**19,027**	**5,836**	**1,746**	**3,836**	**3,069**	**4,540**
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**

26.3.4 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 denominated in USD and EUR and other currencies deviating 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 2019			
Cash and cash equivalents	6,194	2,342	1,036
Trade receivables	6,367	5,941	2,712
Trade payables	(860)	(1,301)	(740)
Net statement of financial position exposure	**11,701**	**6,982**	**3,008**
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	**7,376**	**4,963**	**10,792**

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 2019				
EUR (10 % movement)	2,854	(2,854)	2,854	(2,854)
USD (10 % movement)	5,535	(5,535)	5,535	(5,535)
KRW (10 % movement)	–	–	1,970	(1,970)
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)

The following significant exchange rates have been applied:

	Average rate		**Year-end spot rate**	
In CHF	**2019**	**2018**	**2019**	**2018**
Euro (EUR) 1	1.1276	1.1709	1.0931	1.1265
US Dollar (USD) 1	1.0044	0.9873	0.9836	0.9850
South-Korean Won (KRW) 1,000	0.8673	0.9018	0.8367	0.8956

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.

27 Related parties

As part of its normal business activities, the company maintains relations with associated companies as well as transactions with key management personnel.

Transactions with key management personnel

Key management personnel compensation comprised the following:

In thousands of CHF	2019	2018
Short-term employee benefits	2,441	2,351
Post-employment benefits	366	453
Share-based payment	140	1,441
Total	**2,947**	**4,245**

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. Apart from the payments mentioned above, no payments were made on a private basis or via consulting companies to either an executive or a non-executive member of the Board or a member of Group Management. As of 31 December 2019, there were no loans, advances or credits due to the Sensirion Group or any of its subsidiaries by any of the members of the Board or the Group Management.

Other related party disclosures

In thousands of CHF	31 December 2019	31 December 2018
Other receivables	500	–

In thousands of CHF	2019	2018
Sales and other income	83	–

In 2019, the Sensirion Group entered into a convertible loan agreement with its associated company. The maximum amount that may be granted to its associated company amounts to CHF 1,500 thousand. As of 31 December 2019, a total of CHF 500 thousand has been granted. The loan is measured at FVPL and assigned to level 3 of the fair value hierarchy (see note 26.1).

28 Subsequent events

The consolidated financial statements were approved for publication by the Board of Directors on 9 March 2020. The approval of the consolidated financial statements by the shareholders will take place at the Annual Shareholders' Meeting. No events have occurred between 31 December 2019 and 9 March 2020 which would necessitate adjustments to the carrying values of the Sensirion Group's assets or liabilities, or which require additional disclosure.

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 2019 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 84 to 128) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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

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.

Revenue recognition

Key Audit Matter	Our response
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.	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 2019 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, 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

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Inventory valuation

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to MCHF 22.0 as at 31 December 2019. 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 judgement on projected future sales and usage of inventory items. This judgement directly affects the carrying amount of inventories.

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.

— 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 21 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

Silvan Jurt Licensed Audit Expert Auditor in Charge	Matthias Bachmann Licensed Audit Expert

Zurich, 9 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

Financial Statements of Sensirion Holding AG

Income Statement

In thousands of CHF, for the year ended 31 December	Note	2019	2018
Revenue from royalties	1.7	5,281	5,471
Total income		**5,281**	**5,471**
Personnel expenses		(936)	(404)
Other operating expenses	2.5	(981)	(8,808)
Amortization on intangible assets		(19)	(31)
Financial income	2.6	608	1,090
Financial expense	2.6	(331)	(955)
Income taxes		(60)	(13)
Total expenses		**(1,719)**	**(9,121)**
Profit (loss) for the year		**3,562**	**(3,650)**

Balance Sheet

In thousands of CHF	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents		17,745	19,742
Trade receivables			
– from companies in which the entity holds an investment		–	53
Other short-term receivables			
– from companies in which the entity holds an investment		549	7
Prepaid expenses and accrued income		20	130
Total current assets		**18,314**	**19,932**
Financial assets	2.1	110,394	98,256
Investments	2.2	16,716	17,013
Intangible assets		53	72
Total non-current assets		**127,163**	**115,341**
Total assets		**145,477**	**135,273**
Liabilities			
Trade payables			
– to third parties		32	121
Other liabilities			
– to third parties		74	77
Accrued expenses		105	113
Total current liabilities		**211**	**311**
Equity			
Share capital		1,529	1,514
Legal capital reserves	2.4		
– Reserves from capital contributions		114,901	112,489
– Other capital reserves		4,400	86
Legal retained earnings			
– General legal retained earnings		603	603
– Reserves for treasury shares		1,735	2,510
Voluntary retained earnings			
– Retained earnings brought forward		18,536	21,410
– Profit (loss) for the year		3,562	(3,650)
Total equity		**145,266**	**134,962**
Total liabilities and equity		**145,477**	**135,273**

Notes to the 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 16 of the Consolidated Financial Statements on pages 108 to 109) 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 16 of the Consolidated Financial Statements on pages 108 to 109).

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 its 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	2019	2018
Clarity Movement, Co.	1,075	1,126
Other financial assets	300	300
Loans to subsidiaries	109,019	96,830
Total financial assets	**110,394**	**98,256**

Subordinated loans to the subsidiary Sensirion Automotive Solutions AG amount to CHF 44,285 thousand.

2.2 Investments

In thousands of CHF, for the year ended 31 December		2019			2018		
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	28,450,000	100	RMB	8,504,000	100

2.3 Treasury shares and treasury participation certificates

Held by subsidiary Sensirion AG

In thousands of CHF, for the year ended 31 December	2019	2018
Treasury shares nom. CHF 0.10		
Stock at 1 January	241,351	82
Book value at 1 January	2,509	1,735
Stock split in March 2018	–	82,000
Book value after stock split in March	2,509	1,735
Sales	(165,494)	–
Selling price	(774)	–
Conversion of participation certificates into shares	–	159,351
Conversion price of participation certificates into shares	–	774
Stock at 31 December	75,857	241,351
Book value at 31 December	1,735	2,509
Treasury participation certificates nom. CHF 0.10		
Stock at 1 January	–	276,831
Book value at 1 January	–	575
Purchases	–	3,107
Purchase price	–	66
Sales	–	(120,587)
Selling price	–	133
Conversion of participation certificates into shares	–	(159,351)
Conversion price of participation certificates into shares	–	(774)
Stock at 31 December	–	–
Book value at 31 December	–	–

2.4 Legal capital reserves

Reserves from capital contributions in the amount of CHF 108,174 thousand have been confirmed by the Federal Tax Authority. The additional increase of the reserves from capital contributions in the amount of CHF 6,727 thousand 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

The other operating expenses in the previous year contains expenses related to the initial public offering in March 2018.

2.6 Financial result

In thousands of CHF, for the year ended 31 December	**2019**	**2018**
Financial income	608	1,090
Financial expenses	(331)	(955)
Total	**277**	**135**

The financial income of CHF 608 thousand (prior year: CHF 1,090 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 Equity-settled share-based payment transactions

Value in thousands of CHF		2019		2018
	Quantity	Value	Quantity	Value
Allocated shares to employees excluding the EC	18,967	779	50,593	2,133
Allocated RSUs to employees excluding the EC	265,189	10,886	509,899	21,492
Total	**284,156**	**11,665**	**560,492**	**23,625**

3.5 Shares held by members of the Board of Directors and the Executive Committee

The members of the Board of Directors and the Executive Committee (including related parties) held the following number of shares and RSUs as of 31 December:

Board of Directors		2019		2018
	Shares	RSUs	Shares	RSUs
Dr. Moritz Lechner, Co-Chairman	871,900	–	871,900	–
Dr. Felix Mayer, Co-Chairman[1]	871,900	–	871,900	–
Ricarda Demarmels, member	250	–	–	–
Heinrich Fischer, member	111,506	–	103,381	–
Markus Glauser, member, resigned on 14 May 2019	n/a	–	24,740	–
François Gabella, member, appointed on 14 May 2019	–	–	n/a	–
Dr. Franz Studer, member, appointed on 14 May 2019	–	–	n/a	–
Total Board of Directors	**1,855,556**	**–**	**1,871,921**	**–**

Executive Committee		2019		2018
	Shares	RSUs[2]	Shares	RSUs[2]
Dr. Marc von Waldkirch, CEO	36,556	5,904	31,724	9,772
Dr. Johannes Bleuel, VP Operations	10,911	2,654	8,773	4,368
Matthias Gantner, CFO	9,003	2,250	8,277	3,570
Heiko Lambach, VP Human Resources	10,335	2,294	8,422	3,937
Dr. Andrea Orzati, VP Sales & Marketing	15,688	3,649	12,691	6,060
Dr. Johannes Schumm, VP Research & Development	6,488	1,919	5,690	2,905
Total Executive Committee	**88,981**	**18,670**	**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).

3.6 Significant shareholders

As of 31 December 2019, the following shareholders held more than 3 % of the shares:

Shareholder	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]	4,878,920	33.3 %
Chase Nominees Ltd.[2]	905,927	5.9 %
Gottlieb Knoch, Zug, Switzerland	768,666	5.0 %
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, Zürich, 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 32.8 % (31 December 2018: 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 Subsequent events

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	2019
Retained earnings brought forward	18,536
Net profit (loss) for the year	3,562
Available earnings	**22,098**

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

In thousands of CHF	2019
Balance to be carried forward	**22,098**

Auditor's Report

KPMG

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 2019, 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 134 to 141) for the year ended 31 December 2019 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

The financial statements of Sensirion Holding AG as per 31 December 2019 include investments in subsidiaries in the amount of MCHF 16.7 and long-term loans to subsidiaries in the amount of MCHF 109.0 (thereof MCHF 44.3 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 focused on.

Our response

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.

2

KPMG

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

Silvan Jurt Licensed Audit Expert Auditor in Charge	Matthias Bachmann Licensed Audit Expert

Zurich, 9 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

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)	15,292,984
Nominal value	CHF 0.10
Accounting standard	IFRS (International Financial Reporting Standard)

Financial Calendar

11 May 2020	Annual general meeting
19 August 2020	2020 half-year results and interim report

Contact

For further information, please contact:

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