

| ANNUAL REPORT 2002

KEY FIGURES AT A GLANCE

Million euro	2002	2001
Net incoming order	104.5	156.0
Net backlog	32.4	57.6
Net sales	127.5	214.8
Equity	118.5	95.4
Equity ratio	68%	50%
Net cash	13.4	-22.1
Free cash flow	-0.1	-9.9
Gross profit after reclassification	47.9	114.3
Gross margin	37.6%	53.2%
EBITDA	-9.4	50.4
EBITDA margin	-7.4%	23.5%
EAT (Earnings after tax)	-8.9	21.1
EPS (Earnings per share)	-0.60	1,53
Employees	878	955

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EDITORIAL



Stephan Schulak, Dr. Franz Richter

Dear shareholders, employees and business partners of SUSS MicroTec AG,

We look back on fiscal 2002 as one of the most difficult in the semiconductor industry. Even at the start of the year the industry was in cyclical decline, and this was subsequently aggravated by the general economic slowdown or recession. We attribute this negative trend partly to the fact that consumer demand for electronic devices has so far failed to recover. Although excessive inventories initially held by semiconductor manufacturers have largely been run down, investment in new production equipment will only follow when microchip sales pick up. This is reflected in the selling prices of DRAMs, which in many cases are still below the cost of production. The telecommunications industry, especially, has yet to recover from its collapse in 2001. Some positive developments in demand are now discernible, but the general assumption is that the entire semiconductor industry will only recover slowly.

From the start of 2002 until a few months back, industry, analysts and politicians were anticipating a sustained recovery of the markets in the second half of 2002. In the second quarter, SUSS MicroTec AG, too, registered a short-lived revival in orders in the US. Overall, however, hopes of an upswing in the second half of 2002 were shattered. Contrary to expectations, the general mood on the market remained negative. As a result, original corporate plans for 2002 had to be revised throughout the sector.

Unlike in 2001, when we still managed to withstand the semiconductor crisis, our sales in 2002 decreased by 41% to EUR 127.5 million. We posted particularly steep declines in sales in the US and Japan, where we then made corresponding losses. The second half of 2001 saw a reduction in orders booked in all regions, a trend that continued in 2002 in line with the state of the market. In the year under review we generated an order volume of EUR 104 million, 33% less than in 2001.

In this kind of situation, it is management's responsibility to adopt adequate measures to counter existing and impending risks for the enterprise. Safeguarding liquidity stands out as especially important. Despite a difficult year 2002 and correspondingly negative results, the SUSS MicroTec Group still shows very sound equity financing. Largely due to the increase in capital stock effected in January 2002, the year-end equity ratio was 68%. To keep our loan capital requirement as low as possible, we aim to maintain a high equity ratio.

Another key task of management is to shape the corporate structure according to need. The slack demand for products led to overcapacity in the production division and it became evident that an extensive restructuring program was necessary. The Executive Board responded to these requirements by implementing cutbacks in the workforce, in some cases very painful ones. Of the group's 1,000-plus employees at the start of last year, we had to reduce our staff of about 250 by year end. The Executive Board was and remains constantly aware of its responsibility to employees affected by dismissals as well as to employees remaining with the company. In the final analysis, these measures are taken to safeguard the future for SUSS MicroTec AG and its subsidiaries.

Other critical events in 2002 were as follows:

- The capital stock increase in January, whereby 1,130,000 no-par-value individual shares were placed with institutional investors by way of accelerated bookbuilding. This resulted in a sustained strengthening of the company's financial position.
- The takeover of the assets of B.L.E. Laboratory Equipment GmbH, Singen, in the first quarter;
- The restructuring at Board level. In April, Stephan Schulak was appointed as the new CFO. Claus Lichtenberg, the previous COO, left the company at the end of October by mutual agreement;

- Our top marks in the customer satisfaction survey conducted by the well-known VLSI Research, Inc.

At the present time, the future development of the markets that SUSS MicroTec serves continues to look very positive. The industry will carry on developing new products that require new technologies, for example in the chip packaging and microsystems technology segments. As surely as none of us would like to return to, say, a 386 PC with a 60MB hard disk, it is equally certain that no-one in the future will cut themselves off from further development. The trend toward new, more sophisticated, more profitable and more convenient technologies and applications in all fields of life is set to continue. The steadily rising functionality and efficiency of ever smaller devices inevitably leads to miniaturization. The semiconductor market, too, will still be subject to rapid change and therefore continue to follow Moore's Law. This says that the data density on a chip doubles every 18 months. The short life of electronic products reflects the pace of innovation in these markets – our growth markets of Advanced Packaging, Microsystems technology, Compound semiconductors and Test and Measurement, which will continue to have enormous potential in the future.

The present crisis in the semiconductor industry, which affected us too in 2002, is one of the longest in the company's history spanning more than 50 years. However, in the past every downturn was followed by an upturn, and the same will happen this time too. In the last year we used our free capacity to further optimize our strategic position in the market. Therefore, despite all cutbacks in workforce we continued with our R&D projects and developed a whole series of new products and technologies or launched them on the market. We are relying on safeguarding our future competitiveness by means of continuous innovation. That is why the Research and Development division was affected to a far lesser extent by cutbacks and restructuring than other parts of the company.

For the current year, a number of market researchers and analysts see positive trends at present and expect sales to rise again in the semiconductor industry. Still, the prerequisite for this is an early rise in consumer purchases of electronic goods. The current development on relevant markets, the slow recovery of the world economy and the major geopolitical risks lead us to plan less optimistically, at least for the first and second quarters. From the present viewpoint, sales targets even below last year's figures appear realistic. One key factor in this connection is the development of the US dollar-euro exchange rate. A considerably proportion of the value from sales by our US subsidiary is generated in the euro zone, so in the past we profited from the strong US dollar. Due to the aforementioned underlying conditions worldwide, no realistic forecast can be made for the year 2003 as a whole. Assuming various possible scenarios, potential sales could fall within a wide span of well over EUR 150 million to less than EUR 100 million. Given that previously valid indicators proved unreliable

last year, at this stage in the business year no forecasts can be given for the year overall.

Dear shareholders, employees and business partners, the past year was certainly less than satisfactory in respect of both business development and the development in market value of the SUSS MicroTec share. For this very reason we would like to express our special thanks to you for your trust in our enterprise. Although the difficult times are not yet behind us, as things stand we have taken all necessary steps to safeguard the enterprise from risks in the short term and to prepare for the next growth phase. As regards the development of business in the medium term, we are firmly convinced that with our innovative, first-class products, we have established ourselves in extremely interesting growth markets. We will play a full part in the next upswing in the semiconductor industry and profit from the reliability and innovative power of our products.

Garching, March 2003



Dr. Franz Richter
Chairman of the Executive Board



Stephan Schulak
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

The Supervisory Board was kept informed regularly, promptly and comprehensively in fiscal 2002 by the Executive Board about the course of business and the plans of the company and SUSS MicroTec Group and discussed relevant questions concerning the management of the business with the Executive Board. This was done by way of regular written reports and at four joint meetings. The Supervisory Board advised the Executive Board and supervised the Executive Board's management activities, including discussing in detail with the Executive Board any deviations from plan in the actual course of business and the reasons for these deviations. The Executive Board informed the Supervisory Board of important business events, of other matters that are subject to reporting requirements and of the risk management measures it had put in place as well as of business risks that had become apparent.

The Supervisory Board appointed Mr. Stephan Schulak as a deputy member of the Executive Board with effect from April 1, 2002 and as a full member with effect from April 1, 2003. Mr. Claus Lichtenberg left the company's Executive Board on October 31, 2002. Dr. Richter and Mr. Schulak assumed his duties.

The Personnel Committee of the Supervisory Board, of which Dr. Süß is Chairman and Mr. Schlytter-Henrichsen and Mr. Görtz are members, held five meetings to consider Executive Board personnel matters. The committee laid the groundwork for Supervisory Board's decisions on personnel matters and reported the results of its deliberations to the full Supervisory Board.

The Finance Committee of the Supervisory Board was formed in March 2002. In fiscal 2002 it was chaired by Dr. Süß, and the other members were Mr. Schlytter-Henrichsen and

Dr. Schücking. It held one meeting and two conference calls to consider financial matters and the problems of adjusting the SÜSS MicroTec Group to the reduced volume of business, and informed the full Supervisory Board of the results of its deliberations.

As of January 1, 2003 the Supervisory Board appointed an Audit Committee and delegated the tasks of the former Finance Committee to the Audit Committee, which Mr. Schlytter-Henrichsen was asked to chair. The other members of the Audit Committee are Prof. Dr. Heuberger, Dr. Schücking and Dr. Süß.

The annual financial statements to December 31, 2002 drawn up in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements to December 31, 2002 drawn up in accordance with US-GAAP, and the Executive Board's management report and group management report for the business year 2002 were audited by the auditors elected by the General Meeting and appointed by the Supervisory Board, „PriceWaterhouseCoopers Wirtschaftsprüfungsgesellschaft mit beschränkter Haftung, Munich“, and received an unqualified audit certificate.

The Supervisory Board has examined the annual financial statements prepared by the Executive Board in accordance with the provisions of the German Commercial Code, as well as the consolidated annual financial statements of the Company per 31 December 2002, prepared in accordance with § 292a of the German Commercial Code according to the accounting regulations as they apply in the United States of America and designated US-GAAP, the Management Report and the Group Management Report for fiscal year 2002.

In the hearing of the Supervisory Board on the aforementioned documents two certified public accountants who

were in charge of the audit took part. They reported verbally on the material results of their audit. The Supervisory Board discussed the aforementioned documents and the statements of the auditor with the auditor's representatives and the Executive Board, and approved the documents. The Supervisory Board hereby declares that, after the final result of its examination, there are no objections to be raised against the documents examined by it. Nor are the audit reports of the financial statements auditor exceptional in the Supervisory Board's view. The annual financial statements of the Company for 31 December 2002 are thereby approved. The Supervisory Board consents to the Management Report for fiscal year 2002.

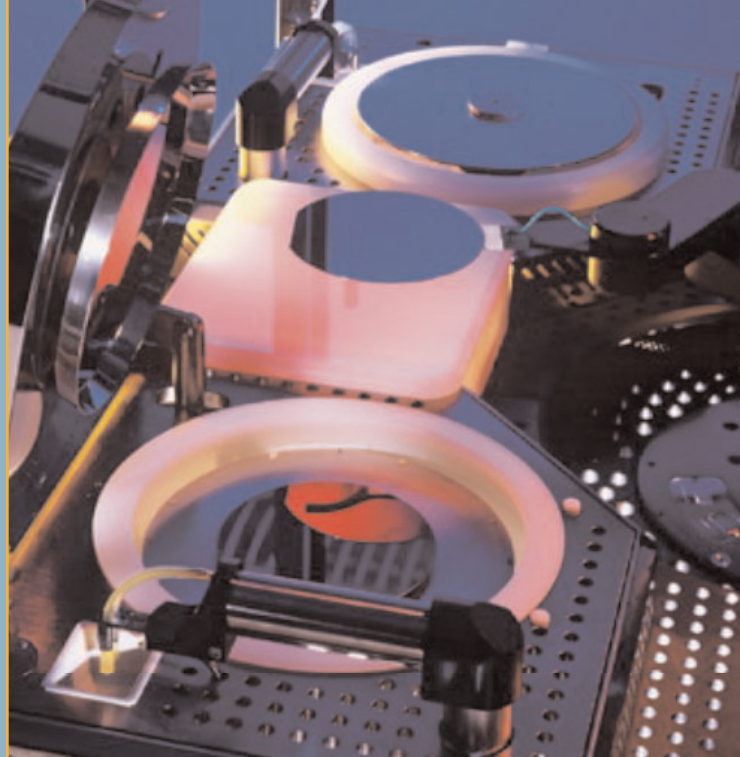
The Supervisory Board would like to thank the Executive Board and the employees of the company and its associated companies for their dedication to the company and to the SÜSS MicroTec Group in the difficult business year 2002, which required a high level of commitment and the ability to adapt to a much changed economic environment.

Garching, March 2003
The Supervisory Board



Dr. Winfried Süß
Chairman

1. MILESTONES 2002



Position in 300 mm Segment consolidated

During the last fiscal year, SUSS MicroTec consolidated and reinforced its position in the field of 300mm technology with substantial strategic success. Even in an extremely difficult market environment, we secured significant orders from world-leading enterprises in the semiconductor sector for our equipment with this forward-looking technology. Some of the world's largest semiconductor testing and packaging foundries placed their first orders for 300mm equipment in 2002, a substantial proportion of them with SUSS MicroTec. The largest packaging foundries in Taiwan, ASE and SPIL, are working in the 300mm segment already, at this very early stage of 300mm implementation. Of equally critical importance in this connection is our most recent achievement with the international SECAP consortium. SUSS MicroTec Mask Aligner, Coater and Developer form part of a 300mm production line for Advanced Packaging that is undergoing installation at the Unitive Taiwan Corporation (UTC) packaging foundry in Hsinchu, Taiwan (see p. 17).

Many semiconductor enterprises currently outsource their 300mm packaging production to foundries, and the trend toward outsourcing is growing. SUSS is now in an outstanding position with these packaging foundries, and equipped for further growth.

Service Optimized Worldwide

In 2002, SUSS MicroTec laid the foundations for swifter, more extensive service in Asia, a key growth market. The transition from branch offices to registered companies in Taiwan and China was initiated in 2002. In building an efficient service organization in its customers' immediate vicinity, the company is catering for production customers' enhanced requirements. Along with the SUSS company in Yokohama, Japan, which has

been in existence for 1988 years, we now serve the key growth areas of the Asian market.

Special 9 or 14 inch photo masks are used for 200mm and 300mm Mask Aligner-assisted optical lithography applications. Photo masks are chrome-coated glass plates that incorporate a microscopic image of electrical circuits. SUSS MicroTec subsidiary Image Technology, Inc. in Palo Alto, California, produces these photo masks on the basis of CAD data supplied by customers. In summer 2002, Image Technology announced that in the future, photo masks were to be produced in Taiwan as well as in Palo Alto. Since photo masks have to be replaced from time to time because of design changes or wear and tear, they are regarded as key elements of every Advanced Packaging application that uses Mask Aligner. This direct, on-the-spot photo mask service in what is currently our most important Asian market ensures that customers are able to maintain an uninterrupted production cycle, a critical factor in cost and time management.

In optimizing services for both Mask Aligner and Spin Coater product lines and by launching this additional photo mask service, SUSS is continuing to consolidate its strategic positioning in Asia.

Cash Position Strengthened Markedly

The increase in capital stock at the start of the last fiscal year effected a long-term strengthening of SUSS MicroTec's financial position. On January 16, 2002, 1,130,000 no-par-value shares out of approved capital were placed with institutional investors as part of a private placement. At the then share price of EUR 30.50, SUSS MicroTec secured an inflow of funds totaling roughly EUR 33 million.

The new capital was used almost entirely to pay off debts. A small proportion was allocated to acquiring the assets of



B.L.E. Laboratory Equipment GmbH, which also took place in January, 2002. As a result of the capital stock increase and the positive cash flow (over the fiscal year as a whole), SUSS MicroTec had cash in hand totaling EUR 13.4 million on December 31, 2002 (2001: EUR -22.1 million).

Well-targeted Expansion of Product Portfolio

On January 17, 2002, SUSS MicroTec acquired the assets, including the order backlog, of B.L.E. Laboratory Equipment GmbH, which specialized in manual spin coaters/developers and in a new wafer-mounting process. This acquisition enabled SUSS MicroTec to expand its Spin Coater/Developer product line in a well-targeted manner, so that our portfolio now ranges from ultra-modern manual equipment for laboratory use to the new, fully automatic system solutions of the 300mm lines.

Among the unique processes developed and patented by B.L.E. is the Fixxon wafer-mounting system that is used for producing extremely thin silicon disks or compound semiconductors. This new technology is a key component in the manufacturing process of finished products such as modern, powerful smart cards or the electronic labels of the future.

Executive Board Restructured

SUSS MicroTec in 2002 restructured its Executive Board. This involved new appointments and streamlining at board level. In April 2002, Stephan Schulak was appointed as SUSS MicroTec's new CFO. As such, he is responsible for finance, controlling and IT. Stephan Schulak, who qualified in business studies and is a business administration graduate, has more than 12 years' experience in finance and accounting. After working for many years as a controller and internal auditor with the Wacker chemicals group, he joined SUSS MicroTec AG in

November 2000 as an investment controller. He went on to head SUSS MicroTec's group controlling function.

As part of our restructuring program, COO Claus Lichtenberg left the company by mutual agreement on October 31, 2002. Claus Lichtenberg had a three-year contract with SUSS MicroTec.

The senior management team Dr. Franz Richter (Chairman of the Executive Board) and Stephan Schulak (Chief Finance Officer) assumed responsibility for the production and IT functions that had essentially been covered by Claus Lichtenberg.

Top Marks in Customer Survey

In the annual customer satisfaction survey conducted by market research institute VLSI Research, which specializes in the semiconductor sector, SUSS MicroTec was rated a top ten manufacturer in fiscal 2002 for the first time in no fewer than four categories. SUSS MicroTec came top in the Test and Material Handling Equipment category, was rated second in the Small Suppliers of Wafer Processing Equipment category and took sixth place in the Assembly Equipment segment, the first time it had featured in this category. SUSS MicroTec AG was rated seventh in the new category Focused Suppliers of Chip Making Equipment.

According to VLSI Research analyses, SUSS MicroTec is the first semiconductor supplier ever to rate among the top ten enterprises in four out of a total of 13 categories covered by the customer survey. To arrive at its rankings of the Ten Best Annual Customer Satisfaction Survey on Chip Making Equipment Suppliers, VLSI Research evaluated approximately 5,400 questionnaires filled out by decision-makers in semiconductor enterprises.

2. MARKETS



Taking Quality and Innovations to Growth Markets

SUSS MicroTec launched its first Mask Aligner on the market back in 1963. Now, what started out as very simple devices have become highly complex production systems. In addition to various functions that a modern production environment demands, such as the ability to communicate with the semiconductor factory's mainframe computer, additional process stages were integrated in the machines. Along with the Mask Aligner, the LithoPack 300 unites the downstream and upstream process stages of spin coating and developing in a single machine. SUSS Micro Tec now has a total of five product lines. They cover photo structuring (Mask Aligner), coating and developing of photosensitive materials (Spin Coater and Developer), microassembly of individual components (Device Bonder), simultaneous microassembly of multiple modules in wafer format (Substrate Bonder), and testing of electronic components on wafers (Test Systems).

More than 7,000 SUSS MicroTec machines have now been installed for customers that include all major semiconductor manufacturers, such as Intel, Infineon, Samsung, Casio as well as Epcos and Bosch. All mass production applications require equipment to be not only extremely accurate and reliable, but also highly cost-effective. In the semiconductor industry, cost-effectiveness is measured in terms of cost of ownership (CoO). In addition to acquisition costs and net space costs, this takes into account running costs, the cost of consumables, and maintenance costs. These costs are then related to the proportion of microchips. Every time a chip on the wafer is spoiled due to a fault in the machine, all previous process stages the chip had passed through are rendered valueless. As a result, especially at the end of the process chain, known as the back end, production machine-related faults that impair the yield of good chips on the wafer critically increase the cost of ownership. SUSS MicroTec products are developed with the goal of achieving a better cost of ownership ratio than rival devices. Extremely high

CoO and technology standards secure for SUSS MicroTec a sustained leading position in the microtechnology markets, even in times of crisis like 2002.

There follows a description of SUSS MicroTec's key markets together with their technology, function and potential. The focus is on the two main markets, advanced packaging and microsystems technology.

Advanced Packaging - New Bonding Technique for Semiconductor Components

Advanced Packaging made possible a new kind of housing technology for semiconductor components. This new technology is superior to conventional housing technology in respect of integration density and efficiency at high rates of signal transmission. In the medium term, advanced packaging will replace previous bonding techniques in many new chip applications.

The previous bonding technique can be followed by taking a look inside a PC. The chip is cast into a plastic housing with small „metal feet” sticking out at the edges. The internal electrical contacts, which are not visible, must be arranged in such a way that the chip is optimally bonded with what are often 1,000 external connection points. These connections are made by means of very large number of very thin wires (bonding). However, especially in applications that involve high transmission rates, wire bonding increasingly runs up against its performance limits. In addition, smaller and smaller structures with increasing functionalities are forcing marked increases in the number of bonds. Wire bonding, which functions serially, is proving increasingly limited in this respect, too.

Therefore, what is called for is a packaging technology that not only delivers extremely small structures with high functionality but can also produce them at low cost. The solution is the

Exposure for the future

Photolithography, a standard process in semiconductor production, is also one of the key technical production stages in advanced packaging. It is employed after a coat of photosensitive varnish has been applied as evenly as possible to the wafer surface. The photosensitive varnish, which is some tens of microns thick, is then exposed to ultraviolet light through a semi-transparent photo mask. The microscopic pattern of bumps on the photo mask is transferred to the wafer.

SUSS MicroTec Mask Aligner are designed for exposure of the entire wafer surface area in one step. As a result, with a Mask Aligner throughput is up to three times as high as with rival processes involving step-by-step exposure with a stepper. SUSS MicroTec Mask Aligner are distinguished by their high degree of accuracy in transferring structures from the photo mask to the wafer and their outstanding reliability in production operations. The consequences of error are particularly dramatic at the back end stage of production when the finished microchips are

electrically bonded. With every error by a back-end production machine, not only is that particular process stage lost, but the entire front-end outlay for manufacturing the chip is nullified. This outlay is very considerable given that the wafer has already spent weeks going through a large number of different processes. For example, the production value of a wafer at the point when it reaches the back end can be up to USD 20,000. Reliability and precision are the qualities that make SUSS Mask Aligner the equipment of choice for Advanced Packaging.

Advanced Packaging process. It is regarded as the packaging technology of the future for all chip generations in the semiconductor sector. Its advantages are as follows:

- microscopically small beads of solder approx. 30 to 80 microns in diameter, known as bumps, are distributed in a grid across the entire surface of the chip. Using the entire chip as a contact surface enhances contact density markedly.
- the size of the finished microchip module is reduced to the surface area of the chip. In conventionally packaged ICs, the surface area of the module is up to ten times larger than the chip surface.
- all stages of the bump manufacturing process are performed on the wafer. The microchips are cut from the wafer in a contact-ready state. That reduces costs markedly in comparison with conventional bonding.

Now, a wide range of products in everyday use implement this technically sophisticated bonding technique. In the IT segment, they include ever smaller, ever more powerful PCs, notebooks, palmtops and organizers. In telecommunications, advanced cellphones, and in consumer electronics, DVD players, digital cameras, flat screens, clocks and watches boast a variety of new functions. Yet the products now available are only the start of future technological possibilities. That is because at present only a few percent of all microchips are made by the advanced packaging method. This proportion is set to increase to more than 15% in the years ahead.

EQUIPMENT FOR HIGHEST DEMANDS

By implementing Advanced Packaging, semiconductor enterprises ensure their competitiveness and consolidate or expand their market position. That is why companies invested in this innovative technology even during the crisis year 2002 - albeit in reduced volumes. Many enterprises introduced Advanced Packaging technology, installed their first equipment or built up a small production capacity. SUSS MicroTec

secured major contracts amongst others from companies such as AMCOR, ASE and SPIL - world-leading foundries that package wafers for large semiconductor enterprises. Along with outstanding technical quality, the key criteria when selecting equipment are lower acquisition costs and high productivity, both of which SUSS MicroTec offers, in comparison to the competition. The costs of fully automatic 300mm lithographic devices (Mask Aligner), a key element of the Advanced Packaging process, are up to 60% lower than those of our competitors, depending on the intended application. In the long run, these benefits will be reflected in market share.

Semiconductor enterprises will use the current fiscal year 2003 to expand their Advanced Packaging capacity. However, the volume of investment will be closely linked to the situation in the sector and major investment will only be effected when the cyclical upswing begins.

Microsystems Technology - Microworlds Set to Grow

„Microworlds” are part of daily life, yet cannot be seen with the naked eye. No wonder, given that a micron is only one millionth of a meter, or one thousandth of a millimeter, in size. Microsystems are extraordinarily powerful and varied, bundling and integrating numerous functions in the tiniest of spaces. Often, these microsystems perform unique tasks in our everyday world, some of them with marked advantages over conventional technical products and applications. In addition to the variety of functions performed, their advantages are:

- Markedly smaller mass and lower power consumption
- A great improvement in reliability and robustness
- Integration of electronic, mechanical, optical and many other functions in a single system
- They can be combined with organic materials

The distinguishing feature of microsystems technology (MST or, primarily in the US, MEMS, or Micro Electro Mechanical Systems) is the enormous breadth of applications. Microsystems are now found in nearly all fields of technology. Some examples of microsystems technology innovations are CD player scanning heads, the printing heads of inkjet printers, pulse and oxygen sensors, optical sensors in digital cameras and anti-locking systems in cars. These examples demonstrate that MEMS can be deployed in a wide variety of different fields and sectors. Many microsystems are already successfully established on the market, while many more are still at the exploratory stage.

Current surveys underline the growing importance of microsystems technology. Experts at the NEXUS (Network of Excellence in Multifunctional Microsystems) market research institute forecast annual growth rates of roughly 20% worldwide, with the global market volume set to rise to nearly USD 70 billion in 2005, as opposed to USD 38 billion in fiscal 2002

(NEXUS, February 2002). Due to the wide range of applications for microsystems, the MST market is regarded as less subject to cyclical influences than the semiconductor industry and as relatively resistant to possible crises in individual sectors. The use of „microworlds” is increasing in all growth sectors, such as the automotive industry, telecommunications, environmental analysis and consumer applications. Strong growth worldwide is forecast for the computer and medical technology sectors in particular. In human medicine, the deployment of microsystems makes new, „gentler” medical applications conceivable, for example in pulse and oxygen sensor technology, diagnostics or medication. The trend toward gentler medicine is supported by progress in developing new, high-precision dosing systems for dispensing medication and in further miniaturization of implants – for example, cardiac pacemakers.

INNOVATIONS FOR MICROSTRUCTURES

To produce ever more precise, complex and powerful microsystems, very accurate production processes are crucially important. Right now, the key process in microsystems manufacture – as already in the case of advanced packaging – is photolithography. That is why the SUSS MicroTec Mask Aligner is part of the standard equipment of many MST manufacturers and has an estimated 60% market share. As well as Mask Aligners, all other SUSS products are deployed in MST applications, these being Spin Coater/Developer, Test Systems, Device Bonder and Substrate Bonder. Thus, of all competitors in the field, SUSS MicroTec offers by far the widest portfolio of products for manufacturers of MST components. At present, manual and semiautomatic machines are still most widely used by customers, especially for small production volumes, and by research institutes, universities and start-up enterprises. As yet, there is still a lesser number of fully automatic production devices for mass production of microsystems, for example for automobile or entertainment electronics.

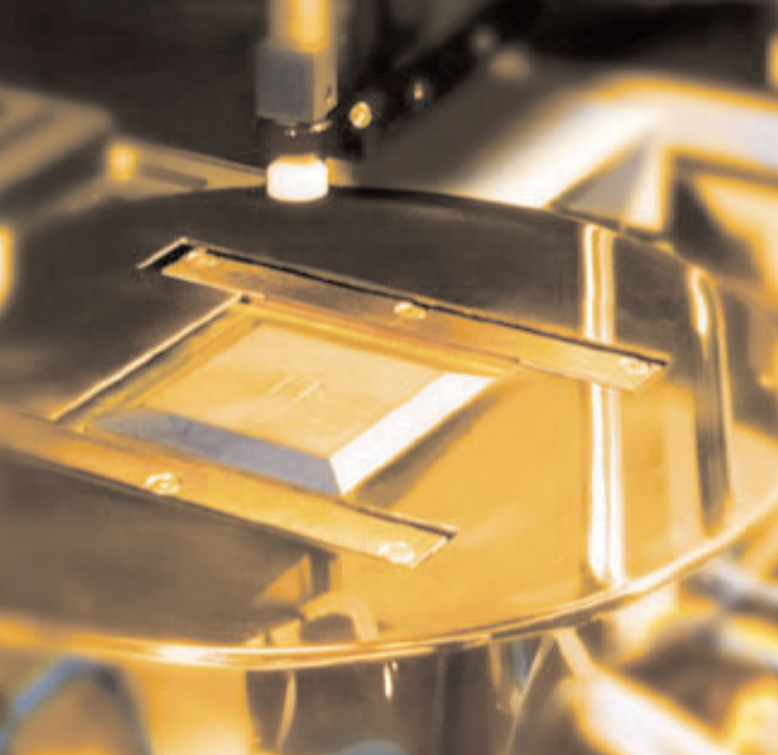


Cars with System

In recent decades, the car has been transformed from a „set of wheels” to a technologically sophisticated mobile machine in respect of safety, convenience, economy and environmental friendliness. Microsystems played a crucial role in this development. According to a NEXUS study, this year, microsystems will account for around 20% of the price of a new car (1999: roughly 15%). In anti-locking systems, motor management, navigation systems or impact sensors, powerful microsystems feature everywhere, helping to handle extreme situations swiftly and accurately. Impact sensors, for instance, recognize how quickly an airbag needs to inflate, depending on how fast the vehicle is traveling. As a rule, this is within a few thousandths of a second, which means that such systems need to be extremely reliable. They must also be suitable for low-cost, mass production, however, because nowadays all classes of autos have the benefit of this technological luxury. So cost of ownership is a key criterion for auto suppliers when purchasing technical MST equipment, and it is becoming even more important. MST applications in the automotive sector are being further improved and diversified and will continue to be crucial to substantial progress in automotive technology in the future.

The market share of SUSS MicroTec equipment for MST was approximately 35% at the end of 2002, and on a rising trend.

In 2003, a new dimension of „microworlds” is already on the horizon. Based on the technological experience gained from microsystems engineering, initial attempts have been made to manufacture nanotechnologies involving structures that are up to 1,000 times smaller and reach the scale of individual atomic layers. SUSS MicroTec is one of the first companies to offer a commercial technology for this market of the future. Known as nanoimprinting, it is a type of refinement of the existing lithography process, whereby SUSS MicroTec Mask Aligner or Device Bonder are used to imprint structures on a layer of photosensitive varnish or polymer, similarly to a stamp. By refining this technology, at laboratory level we have already succeeded in producing structures of the order of magnitude of a few tens of nanometers, considerably smaller than those produced by the usual front-end lithography method used in semiconductor manufacture. Research institutes and universities are already using SUSS Nanoimprinters for trials, and companies, too, have indicated an interest in the new SUSS MicroTec technology.



Compound Semiconductors - Guarantees for Information Density

Scientifically speaking, compound semiconductors are a specific class of semiconductor materials composed of elements from the third and fifth rows of the periodic table. The key elements in these groups are gallium and arsenic (compound: gallium arsenide or GaAs) and indium and phosphorus (compound: indium phosphite or InP). These materials are distinguished by especially high electron mobility. In practice, this means that compound semiconductors can transmit and process electrical signals at very high speed, which makes them ideally suited for high-frequency applications. Compound semiconductors also have a whole range of interesting optoelectronic properties that make it possible to influence electron mobility by light incidence and vice versa. These properties can be used technically in a variety of ways, e. g. for manufacturing optical sensors or light emitting diodes.

The areas in which compound semiconductors are deployed are expanding steadily. At present, the largest fields of application are in

- optical signal transmission (data exchange via optic fiber)
- wireless communications (high-frequency applications)
- optical elements for consumer goods (light produced by light emitting diodes)

In the field of wireless communications, it is only the use of compound semiconductors, e. g. in the form of surface acoustic wave (SAW) filters, that makes possible high-frequency applications of 40 gigahertz and more. By using high frequency-capable components, the number of speech channels in a network, and therefore the network's transmission capacity, can be increased markedly.

Bluetooth and Wireless LANs are another growth area. These are wireless connections between various communication

devices. Bluetooth technology links devices that are between 1 and 2 meters apart without using cables. Typical examples are wireless connections between PC and mouse, PC and keyboard, mobile phone and headset. By 2004, around 50% of the world's cellphones will be equipped with Bluetooth.

Wireless LANs, or local area networks, establish wireless connections between computers within a typical radius of several hundred meters. Wireless LANs of this kind are installed in public places, hotels, railway stations and airports. This enables notebook users to dial into a network without using cables, thereby enabling them to access the Internet or their e-mail account at any time.

LITHOGRAPHY FOR SENSITIVE COMPOUNDS

In the field of optical elements, the development of light emitting diodes (LEDs) is of particular interest. Light yield in LEDs is already much higher than in conventional light bulbs or fluorescent tubes, and is being continuously improved. The automobile is the first, and classic, field of application for LEDs, for example for illuminating display panels or braking lamps. In addition, LEDs will be deployed in future in traffic lights and for general lighting purposes. The optical elements sector is forecast to grow by around 30% by 2004. LEDs are set to account for a large share of this growth.

Compound semiconductors are much more difficult and more expensive to produce than silicon, the most common semiconductor material. The usual wafer format at present is 150mm for GaAs, while silicon rises to 300mm. However, since typical compound semiconductor chip sizes (typically mm²) are markedly smaller than in the case of silicon applications (typically cm²), there is a trend, albeit a less pronounced one, toward larger wafer formats with compound semiconductors, too. These different requirements result in marked differences between silicon and compound semiconductors coming to light

when it comes to choosing production equipment. In photolithography, which, here too, is the most important process stage, Mask Aligner are often used for contact exposure. The advantage of low-cost photolithography is bought at the risk of error inputs during contact lithography. Individual error inputs are accepted, however, because due to their small dimensions there is room for many thousands of chips on the wafer, so individual losses only slightly impair the percentage yield.

To overcome this disadvantage, SUSS has developed a new technology known as Mask Pellicle Technology (MPT). This process involves coating the mask with a very thin, Teflon-like protective layer, thereby preventing photoresist from settling on it during contact exposure. This markedly reduces the customary mask cleaning, as well as markedly prolonging the life of the photo mask. With this new process, SUSS has weighted the cost comparison between Mask Aligner and other lithography processes clearly in favor of Mask Aligner.

The LED, a Bundle of Energy

For us, they are just classified colors, whereas for scientists they are specific wavelengths that produce colors. Current research and development has found LEDs to be almost ideal light dispensers for different colors. The advantage is that LEDs require practically no maintenance. LEDs use up to 50% less power to emit the same amount of light than the customary light bulbs, as well as having a markedly longer life. This means that LEDs can be used at low cost in many fields of lighting, both indoors and out. In the US, traffic lights are gradually being converted to LEDs. First pilot projects in Germany started in 2001. Forecasts indicate that in the medium term every industrial country in the world will use LEDs in its traffic lights. In a few years' time, LEDs will also be used for general lighting purposes – in the street, at home or in technical appliances. This development will further boost growth in the SUSS MicroTec market for production equipment for compound semiconductors.

Ice Age for Sensors

Chips and sensors must be guaranteed to function even in extreme conditions. That is why, along with analytical test procedures using electric current, force, pressure or acceleration, heat or cold are employed for „stress tests.“ Many physical effects can only be measured at very low temperatures in the region of absolute zero, or -293°C . A special prober, uni-

que on the market, the SUSS-PAC 150, can measure temperatures as low as -250°C . It is used for testing infrared sensors deployed in satellites, for instance. These special sensors remain capable of functioning even in extreme cold and in a vacuum. Space flight sets extremely high demands as regards the reliability of components, so testing plays a special role in this area. If sensors fail, the result may be malfunctions in the satellite. In an extreme case,

they could endanger the satellite's mission. That is why the SUSS MicroTec prober is used to test the wafer under operating conditions. For this purpose, the wafer with the sensors is cooled in a high vacuum to -200°C , then subjected to electrical testing with the help of special needles that are not sensitive to cold. With that lavish process possible error sources can be ruled out and the high quality of the sensors can be protected.

Testing & Measurement - Analysis for Miniaturized Structures

Testing & Measurement is a special segment of SUSS MicroTec markets, in that it is not a production market but a highly specialized field of analysis. Testing & Measurement involves checking the electrical behavior of the components on a chip, from initial research experiments to final production. In this segment, SUSS MicroTec has specialized in the analytical testing of structures, using its test equipment to get to the bottom of questions such as „why and wherefore“ a chip does not work, for example. The SUSS MicroTec analysis devices developed for this purpose are Prober. SUSS MicroTec has been active in this market since 1970, since when it has developed an entire product portfolio for analytical testing of microchips. The product lines now comprises ten manual, semiautomatic or automatic probers, together with the corresponding accessories. They are used for error analysis, device and wafer characterization, reliability and function tests both in the general semiconductor market and in high-frequency technology. In addition, there are the niche and growth markets of optoelectronics and microsystems technology. By focusing on these growth areas, SUSS MicroTec has achieved an outstanding market position in most fields of application, with a 25% to 40% market share.

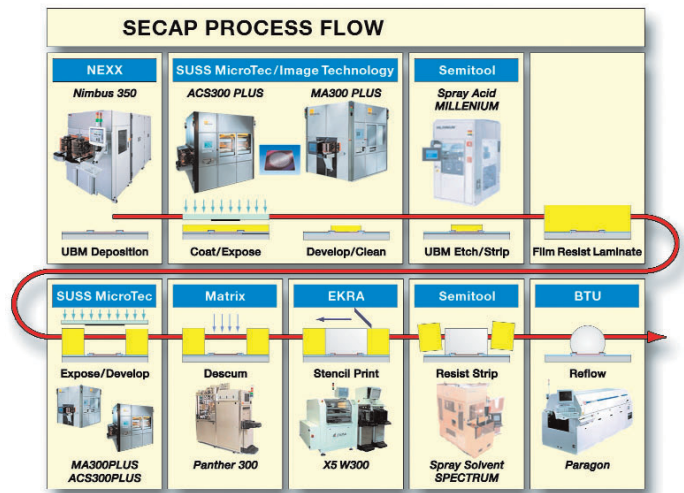
The focus during testing is on checking chip structures' reliability, speed and ability to function. Test procedures themselves vary, sometimes widely, depending on the production market. The more specialized and less standardized the market, the more individual are the test procedures required. SUSS MicroTec test systems cater for these requirements. The equipment concept for Prober is based on a modular design. Prober are customized and can be refitted at any time. Only in this way is it possible to follow the individual, effective, high-quality test procedures required for growth markets. For instance, even microscopic structures measuring as little as

0.18 microns can be tested using a specially developed test head (SUSS MFI Probe).

INDIVIDUAL TESTS FOR SMALLEST STRUCTURES

Since 2002, SUSS MicroTec has also provided innovations for testing procedures in microsystems technology. For example, the sensors produced in this segment are supposed to measure physical states such as pressure, acceleration or force. A purely electrical testing procedure like that customary in microelectronics can only provide limited evidence as to a sensor's ability to function. In on-wafer testing for microsystems, Prober carry out test procedures on the wafer during production, using non-electrical signals. In microsystems technology, for instance, SUSS MicroTec Prober test the ability of sensors to function by introducing a physical dimension such as pressure or force. Since approx. 60% of the overall cost of a microsystem is accounted for by system packaging, by testing and sorting out the functioning systems it is possible to ensure that they are the only ones to proceed to the expensive packaging stage. In this way, SUSS MicroTec makes an important contribution toward streamlining microsystems technology production and saving customers expense. Due to the diversity of microsystems technology, every type of sensor has its own test module. Many such modules are produced specially for customers. In future developments, the focus will still be on individuality and flexibility. SUSS MicroTec develops new Prober systems in close collaboration with customers such as the Fraunhofer Institute or companies such as IBM and Texas Instruments. In doing so, it is taking forward the optimization of production methods, especially in niche markets.

3. SECAP



A Strong Partner for Advanced Packaging Customers

The Semiconductor Equipment Consortium for Advanced Packaging (SECAP) was set up in Fall 2000 on SUSS MicroTec's initiative. SECAP's members are leading international providers for Advanced Packaging Technology BTU, Image Technology, Matrix Integrated Systems, NEXX Systems, Semitool and SUSS MicroTec. A further member of the consortium, the Fraunhofer Institute for Reliability and Microintegration (IZM), has a special function. It acts as adviser to and technical link for the consortium, is an application center for integrating process flows between the different partners, and runs the SECAP production line.

SECAP's aim is to advise and support chip manufacturers on introducing Advanced Packaging, for instance in the development and optimization of process equipment for converting to 300mm technology. In accordance with the SECAP statutes, the consortium maintains a neutral stance toward all packaging technologies and does not pursue the intention of developing or marketing them. SECAP is meant to establish a non-competitive development and test environment for customers and to offer them a new, efficient form of partnership.

In July 2002, SECAP reached a strategic milestone that drives forward the introduction of Advanced Packaging applications worldwide. In a joint venture with one of the world's leading developers and providers of Advanced Packaging solutions, Unitive Inc., US, the consortium will set up and operate a production line for this trendsetting technology. UST will use the production line to be installed from April 2003 at Unitive subsidiary Unitive Semiconductor Taiwan Corp. (UST) of Hsinchu, Taiwan, for the introduction of 300mm technology and for subsequent mass production. Until now, Unitive (which is not a SECAP member) has used the SECAP equipment for its 200mm production. Additionally, under a time-sharing scheme

the new production line will be available to other potential SECAP customers for testing and evaluation purposes.

In this way, SECAP will open up the new 300mm technology, which in future will become the dominant technology, to the entire chip industry for the first time, and in cooperation with Unitive will be able to demonstrate the high efficacy and productivity of its Advanced Packaging technology. This will make it noticeably easier for chip manufacturers to go in for Advanced Packaging. They will be able to test process stages on the spot, adapt them to their individual production requirements and commence mass production more quickly and smoothly.

4. INVESTOR RELATIONS

Share Price Performance SUSS MicroTec AG (—) vs. NEMAX 50 (—)



Share under Pressure

The continuing crisis on the semiconductor markets and the associated effects on the business development of SUSS MicroTec had a marked effect on the price performance of our share. In 2002 as a whole, the performance of the SUSS MicroTec was markedly below the NEMAX50 and NEMAX Technology Index. We suffered severe losses in market value especially in the third quarter. In addition to the underlying negative mood in global capital markets, other general and sector-specific factors played a major role in the predominantly weak performance of our share, as follows:

- Political and economic risk factors, such as that of economic recession and effects of a war in the Gulf undermined investor confidence
- World-leading semiconductor manufacturers reduced their sales forecasts in the course of 2002
- No indications of a coming upswing in the semiconductor sector were discernible in 2002
- Institutional investors reduced their Neuer Markt and/or semiconductor holdings. In some cases, banks wound up their Neuer Markt funds altogether.
- Downgraded ratings by analysts led to investor insecurity and share selling
- Uncertainty about the future of the Neuer Markt encouraged the withholding of new investment

In this difficult market environment, our foremost task and primary goal is to continue informing investors as promptly and transparently as possible about SUSS MicroTec's current business development. In this connection, high priority is given to information about the adjustment of corporate structures and cost structures and about the further positioning of SUSS MicroTec.

Therefore, the SUSS MicroTec Board in 2002 made use of roadshows, investor and conference calls, and meetings with individual investors, analysts and press representatives to

ensure a constant exchange of information with the capital market so as to maintain contact with investors.

NEW STRUCTURE FOR CAPITAL MARKET

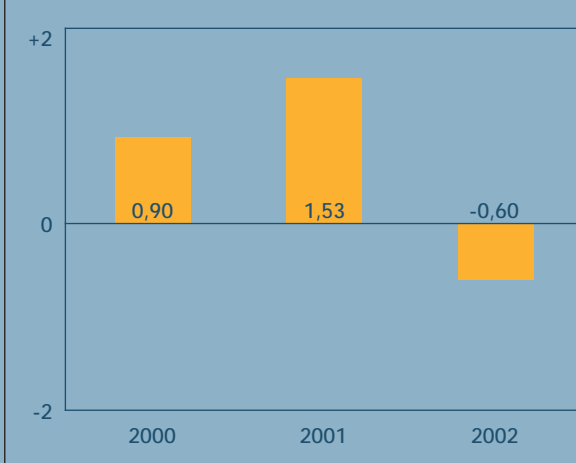
After an extended period of discussion and speculation about the future of the Neuer Markt, Deutsche Börse announced on October 16 its decision to restructure the stock market. As of 2003, companies will trade only in the Prime Standard or General Standard segment. All previous segments will be discontinued after an appropriate transition period. This means that the Neuer Markt, too, will be wound up once the new segments are up and running.

The main difference between the new segments is that enterprises with shares that are traded in the Prime Standard are obliged to comply with high, international standards of transparency, such as publishing quarterly reports or ad hoc announcements in German and English. In contrast, General Standard companies will be geared toward the German capital market and will be subject to markedly fewer transparency and reporting requirements.

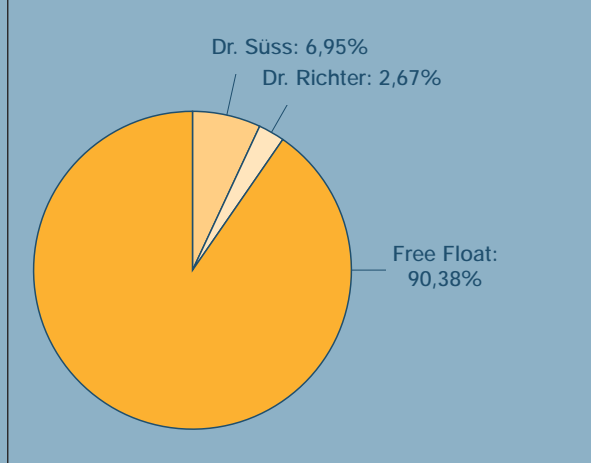
Ever since it went public, SUSS MicroTec has fulfilled the strictest requirements for greatest possible transparency, continuous reporting and international accounting standards. In addition, it maintains close contact with international investors. Consequently, switching to the new Prime Standard was a matter of course for us. We applied for admission to the new quality segment back in December and received Deutsche Börse's approval as a Prime Standard enterprise that same month.

SUSS MicroTec is still listed on the selective NEMAX50 index and is striving for admission to TecDax, the new, blue chip index for technology stocks.

Earnings per Share as of 31.12.2002 in Euro (undiluted)



Shareholder Structure as of 31.12.2002 / Total 14.956.884 Shares



MORE TRANSPARENCY THROUGH CORPORATE GOVERNANCE

The promotion of corporate transparency is also one of the key concerns of the Corporate Governance Code published in February 2002. The German Corporate Governance Code aims to and is designed to encourage public confidence (among investors, customers and employees) in responsible, value-oriented corporate management, including outward transparency.

SUSS MicroTec AG has a long-term commitment to the principles of the Corporate Governance Code and will continue to promote and push forward the principles of transparent corporate management. SUSS MicroTec complied with the Corporate Governance catalogue of recommendations already in fiscal 2002 with only a few divergences. In addition, it implemented numerous suggestions. For details, please see our Statement of Compliance on p. 20.

5. CORPORATE GOVERNANCE

Declaration of Compliance with the German Corporate Governance Code as per § 161 of the German Stock Corporation Act (AktG)

The German Corporate Governance Code contains nationally and internationally recognized standards of fair and responsible corporate management. Standards are divided into:

- Regulations that are binding and must be observed by German stock market-listed corporations,
- Recommendations on which, in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz), an annual statement must be made, and
- Suggestions from which companies can deviate without a disclosure requirement.

The Management Board and Supervisory Board of SUSS MicroTec AG are lastingly committed to the principles of the Corporate Governance Code and promote the principles of transparent and responsible corporate management. SUSS MicroTec AG fulfills the recommendations of the German Corporate Governance Code already, apart from a few points, and will continue to do so in the future.

Regarding the following recommendations, SUSS MicroTec AG departs from the provisions of the German Corporate Governance Code (November 2002):

Deductible in Respect of D&O Liability Insurance (Code 3.8)

The German Corporate Governance Code recommends, if the company takes out directors and officers liability insurance, agreeing to a suitable deductible for the corporation's properly constituted agents. SUSS MicroTec AG has had D&O insurance cover for several years without a specific deductible. Responsible management behavior is not, in SUSS MicroTec's view, promoted additionally by agreeing to a suitable deductible. SUSS MicroTec AG does not, therefore, plan to agree on any such specific deductible.

Compensation of Supervisory Board Members (Code 5.4.5)

The German Corporate Governance Code recommends fixed compensation, taking into account, among other things the chairmanship of committees, as well as performance-related compensation for members of the Supervisory Board. The compensation paid to Supervisory Board members is specified in the Articles of Association. The Articles of Association of SUSS MicroTec AG at present provide solely for fixed compensation for the Supervisory Board. No special consideration applies to chairing committees. SUSS MicroTec AG wants to keep this regulation and will discuss this in the next general meeting of the shareholders.

Capital Market-Relevant Information Abroad (Code 6.5)

The German Corporate Governance Code recommends the disclosure without delay in Germany of any information that the company discloses abroad in line with capital market law provisions there. This publication recommendation does not currently apply to SUSS MicroTec AG.

Auditor's Statement of Independence (Code 7.2.1)

The German Corporate Governance Code recommends obtaining a statement of independence from the auditor prior to submitting a proposal for election. SUSS MicroTec AG obtained this statement at a later date and has thereby fulfilled the recommendation already for fiscal year 2002. SUSS MicroTec submitted its proposal for auditor at the last annual general meeting of shareholders prior to the publication of the current Corporate Governance Code.

Garching, December 2002



For the Management Board
Dr. Franz Richter



For the Supervisory Board
Dr. Winfried Süß

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The Enterprise Group

The SUSS MicroTec Group manufactures and sells production equipment and test systems for the microelectronics and micro-systems industry. As a supplier of system solutions for semiconductor technology, the Group is a powerful partner for the semiconductor industry in the laboratory and production fields. High-growth market niches form the main areas of business activity and encourage the innovative development of technology offering long-term profit potential for tomorrow's markets and applications. The focus is primarily on microchip architecture and connection technology for applications in chip manufacture, telecommunications and optical data transmission. Larger process lines consist as a rule of several individual devices where the Group forms and uses networks together with internal and external partners – for example within the framework of the SECAP consortium – to create competitive advantages.

Locations of the Group:

Germany	Asslar / Dresden / Munich / Vaihingen
USA	Waterbury VT / Palo Alto CA
France	St. Jeoire
GB	Wokingham
Japan	Yokohama

Forward-Looking Statements

All statements in this Management Report other than those that describe historical facts are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as „believe,” „expect,” „intend,” „anticipate,” „estimate,” „should,” „may,” „will,” „plan” and similar words and terms used in relation to the enterprise are meant to indicate forward-looking statements of this kind. The company accepts no obligation toward the general public to update or correct forward-looking statements. All forward-looking statements are subject to various risks and uncertainties, as a result of which actual events may diverge numerically from expectations. The forward-looking statements reflect the view at the time they were made.

Enterprise Performance and Market Position 2002

While the Group in 2001 was very successful in resisting the general market trend in the semiconductor industry, in 2002 we, too, felt the full impact of the crisis. As a result, sales declined markedly, by 41% compared with the previous year. This was largely due to a decline in sales in the North America and Japan regions, where as a result a considerable proportion of losses was posted. A marked decline in new orders booked had been registered in all regions already in the second half of 2002 so the backlog of orders at the start of 2003 was 44% lower than at the start of 2002. Throughout 2002, there was no sign of revival in the volume of new orders, which fluctuated between EUR 21 million and EUR 30 million per quarter.

The low demand for production machinery, our key sales generator, was clear. Orders booked and sales related primarily to manual devices with markedly lower average selling prices. Since these devices are not typically used in the production environment, the volume ordered or sold does not necessarily follow the cycle at a given time. Since there was no further slackening off in new orders booked, we assumed that these order volumes represented the lower end of our corporate potential. Based on this assumption, in order to safeguard the Group's continued existence we undertook some gentle restructuring in mid-year, followed by drastic restructuring in the fourth quarter when the demand for production machines failed to pick up.

The semiconductor industry in 2002 showed no revival in comparison with 2001:

- The DRAM market is still afflicted by low selling prices and excess capacity, as can be seen on the business performance of market-leading enterprises such as Micron, Infineon and Hynix.
- Processor manufacturers, in particular Intel and AMD, did not post any significant improvement in sales in 2002. Anticipated seasonal increases such as the back-to-school business in the PC segment hardly materialized in 2002.
- The telecommunications industry is still in the midst of a market shakeout and restructuring after high expectations in this segment gave way noticeably to reality.

The global economic downturn amplified this negative trend:

- The key industrial nations all registered a general economic deterioration in 2002.
- Consumer propensity to spend declined as a result of concerns about the future both in respect of personal job security and due to anxieties about terrorism and war.

Another key parameter for our business performance, the euro-US dollar exchange rate, changed to our disadvantage because even in respect of our North American sales a substantial proportion of value is generated in euros.

After a very successful 2001, the year 2002 as a whole cut in deeply because the hoped-for recovery in the markets that had been expected in various quarters entirely failed to materialize even in the second half. A variety of indicators, both internal (offer activity, sales forecasts) and external (capacity utilization rates, forecasts and research reports by professional associations) had pointed to a revival in the second half of 2002.

In expectation of this revival, we initially maintained our corporate structure intact at the start of the year so as to be in a position to realize the sales potential of the anticipated recovery when it took place. However, when the aforementioned indicators failed to result in the expected revival we took appropriate action, implementing a first round of employment cutbacks in summer 2002.

The restrained progress of orders received in the third quarter forced us to implement a second, much larger round of cutbacks in the workforce so as to be able to cope, above all financially, with the possible slack development of business in 2003.

Strategic Positioning

Strategic positioning has a special importance in times of economic crisis. Investment decisions are taken more cautiously and are therefore often geared toward the future, because although businesses do not make capacity purchases at such times they continue purchasing technology, albeit in much lower volumes. Yet these technology purchases represent tomorrow's capacity purchases, and these in turn will represent unit and sales volumes.

Taking into account the opportunities available, we notched up important successes in 2002 in terms of positioning in our critical market of tomorrow, Advanced Packaging:

- We installed our 300mm lithography at two foundries in Asia and booked them against sales, then went on to record the first capacity purchases in this connection in the fourth quarter of 2002.
- We successfully implemented 200mm lithography at a well-known chip manufacturer.
- Within the SECAP consortium, a decision was taken to install a complete 300mm demonstration and production line in Taiwan in 2003 within the framework of a joint venture with Unitive.
- In the DRAM segment, our 300mm LithoPack, a cluster tool with Spin Coater and Mask Aligner, reached a key milestone in qualifying for production.
- We still have a customer base in the 200mm segment. We expect customers in this category to select SUSS MicroTec as their equipment of choice when migrating to 300mm.

Given these successes, we anticipate being able to generate significant sales in both the 200mm and the 300mm segment when the next upswing in the semiconductor industry takes place. We see clear competitive advantages for our machines in the field of high-volume mass production in particular.

In Asia, we regard ourselves as being in a future-proof position organizationally:

- We already had branch offices in both Taiwan and China. In the meantime, the China branch was converted into an independent legal entity, while the Taiwan branch is in the process of conversion. That will enable us to engage in more extensive activities locally in the future.
- In Taiwan, where the world's largest foundries are located, we will be able to present and demonstrate a complete line to customers in 2003.
- We have already managed business with Japan via our local subsidiary for 15 years.

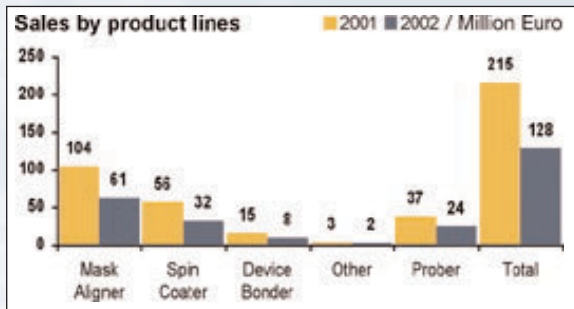
Among chip manufacturers, we see more opportunities to further improve our strategic position, especially with key potential 300mm customers in North America. We have already implemented organizational measures (changes in sales management and in customer relations management

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by sales staff) that will enable us to address these customers more selectively in 2003 so as to communicate to them even better the specific advantages of our technology.

Sales and Orders Position by Product Lines and Regions

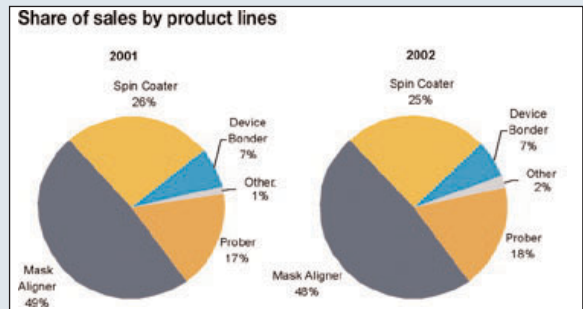
When sales are allocated according to **product lines**, similar to previous years **Mask Aligner** and **Spin Coater** account for 73% of total sales.



Along with the 300mm production machines, manual devices contributed substantially toward sales in each case. Since manual Mask Aligner and Spin Coater are mainly used in development laboratories, they are naturally affected to a lesser extent by production cycles in the semiconductor industry. Both have been regular components of the SUSS MicroTec product portfolio for a long time now. That is evidence on the one hand of the high quality, recognition rate and acceptance of these products in the laboratory segment and on the other of a relatively stable market and the associated relatively constant level of sales that the SUSS MicroTec Group is able to secure.

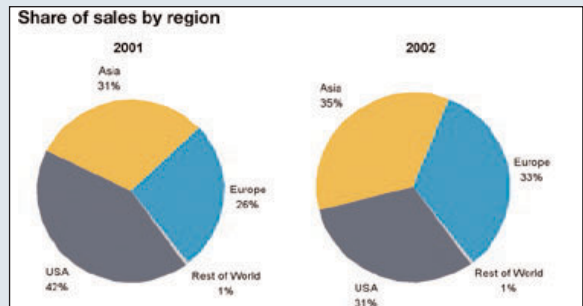
The trend in sales of **Device Bonder** depends substantially on the telecommunications industry, especially optic data transmission. This market is still in very deep recession and only in the years ahead is it expected to develop into a fast-growing submarket for SUSS MicroTec. The key customers in this segment are based in North America, where SUSS MicroTec generated good sales with this product in 2001, whereas in 2002 the region made no significant contribution toward total sales.

Prober are generally very stable in relation to other groups of products in terms of orders booked and sales trends, since we essentially operate only in the laboratory segment with this product line. However, 2002 saw a marked decline even in this market segment: the general economic downturn is increasingly confronting the research and development segment with budget cuts. In past economic cycles in the semiconductor industry, fewer fluctuations were observed in prober sales, so in slack phases this product line contributed a higher percentage toward total sales due to the stability of business.

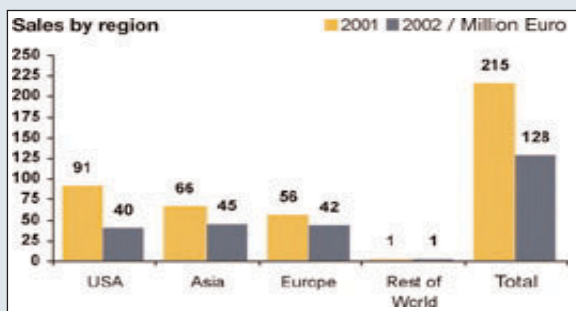


In the Regions, we recorded the following key developments in 2002:

- The second-quarter revival in orders booked in North America was only short-lived.
- Asia (excl. Japan) performed strongly, primarily due to sales of the new 300mm production machines.
- Corresponding to the small proportion of production applications it accounts for, performance in Europe was less affected by the cyclical decline than North America.
- Japan saw no revival throughout the whole of 2002.

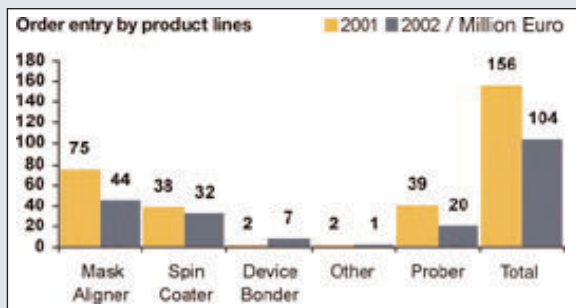


In 2002, for the first time the Asia region was the strongest regional market for the SUSS MicroTec Group, while North America fell back into third place after Europe. We observe that in the field of Advanced Packaging the market for SUSS MicroTec is shifting more toward Asia. However, North America's weakness is not seen as part of a fundamental regional shift, but as connected essentially with the lack of production machine business. As soon as the cyclical economy in the semiconductor industry recovers, sales in North America will increase again accordingly. However, we expect Asia and North America to develop as relatively equally strong regions for us in the future, while we expect the trend is for Europe to contribute a decreasing proportion of sales.

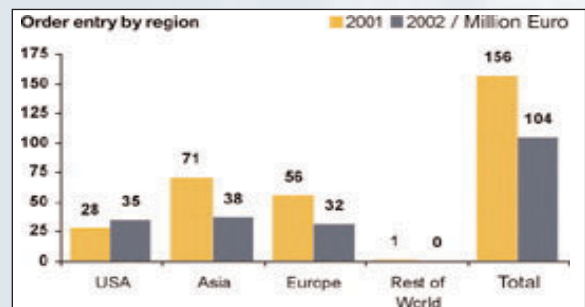


Looking at the regions, Asia (minus Japan) was the only positive factor in 2002. All other regions developed negatively, in line with the Group as a whole. North America was additionally affected by the marked rise in the value of the EURO, especially in the fourth quarter, which had a negative effect on both margins and on sales that were translated into EUROS prior to consolidation.

Orders Position

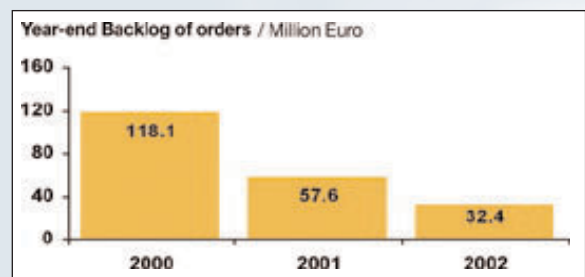


The development of sales by products and regions is reflected essentially by the volume of orders booked. In 2002, the progress of business in individual regions depended primarily on the general economic situation in the particular region. As a result, all product lines were affected equally by the negative cyclical trend. In 2001, it was primarily the telecommunications segment that was hit by recession, and that affected mainly the Device Bonder product line.



The ratio between new order entries and realized sales, the book-to-bill-ratio, was 0.82 (2001: 0.73). This led to a further reduction in the backlog of orders at the end of 2002.

The order backlog usually includes orders for the next 3 to 6 months, though later delivery dates can be fixed by way of exception.



Although the absolute figures for orders and sales read as a considerable decrease in comparison with 2001, they show that in comparison with our key competitors we were able to maintain or even expand market shares. This assessment is based on published sales figures, on an analysis of individual competitive situations or, where no other figures were

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available, on our own estimates. This result should be regarded as very positive primarily because it reflects the market's acceptance of our product portfolio and our good sales organization set-up in the regions. In addition, experience shows that positioning for the next upswing takes place in the downswing phase of a semiconductor cycle. In the present phase, SUSS MicroTec is very well prepared for the next upswing.

Financial Trend

ASSETS AND FINANCIAL POSITION

The increase in capital stock implemented in January 2002 had significant positive effects on the balance sheet structure and Group liquidity. A large proportion of the EUR 34.5 million inflow of funds was appropriated for paying off current liabilities to banks. Subsequently, the volume of funds the parent company made available to subsidiaries (loans and short-term financing) rose from EUR 48.9 million at December 31, 2001 to EUR 55.7 million at December 31, 2002. SUSS MicroTec AG's earnings from interest will rise in the future as a result (see also The Holding Company). As a result, financial debts (liquid assets minus all financial liabilities apart from pension liabilities) of the Group were reduced by EUR 32.4 million to EUR 4.7 million.

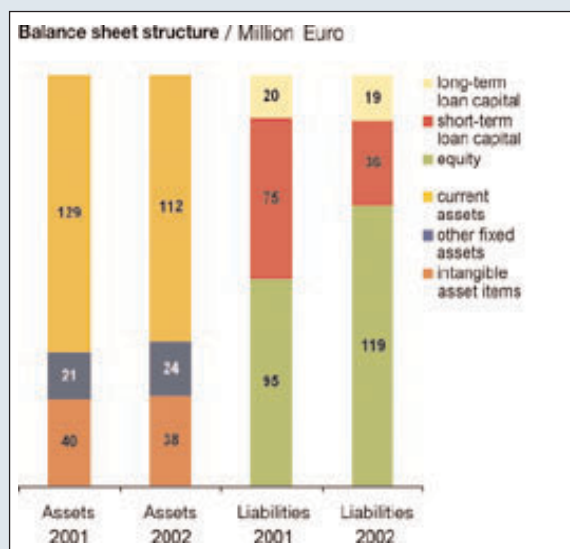
The discontinuation of goodwill amortizations (previous year: EUR 4.3 million) led to an additional positive effect on the Group's equity ratio (68% in 2002 against 50% in 2001). As a result, the balance-sheet structure showed a markedly positive development despite the net loss for the year.

On the assets side, inventories remain sizeable. Our goal is to reduce inventories to a maximum level of 180 to 200 days. In figures, this would mean a goal-inventory totaling roughly EUR 35 million in 2002. Current inventories are clearly above this target figure. Preliminary steps toward achieving our target were initiated within restructuring measures and began to show results in the fourth quarter of last year, when inventories decreased by EUR 13 million. A key goal for 2003 is to achieve a marked reduction in investment in working capital, primarily by running down inventories.

On analysis of the days sales outstanding (DSO) at the end of 2002, the trend in payment moral of customers was

constant positive, with only 72 days sales outstanding (DSO; 72 in 2001). That was attributable essentially to major orders from Asia in the fourth quarter for which substantial payments were received very soon after delivery by way of letters of credit. Given an even spread of business within the different regions, we expect the DSO level to return to between 75 and 85 as the positive effect of letters of credit of this kind declines in relation to total accounts receivable.

On the liabilities side, a reduction in down-payments from customers in comparison with previous years should be noted (3.4 at the end of 2002 as against EUR 6.9 million at the end of 2001). This was not only due to the lower volume of orders received, but also to the difficult negotiating conditions that prevail at present. We are convinced that markedly improved down-payment rates can be achieved in phases of upswing, which can lead in turn to an improvement in working capital and in operative cash flow. However, we do not foresee any significant change for the better in this item in 2003.



In principle, we view the balance-sheet structure of the group at the end of 2002 as very healthy and sound, primarily because of the equity capital ratio and the low level of current financial liabilities. We are convinced that even if economic development remains slack in 2003, on the basis of the balance sheet the enterprise is prepared for that type of scenario.

At the end of 2002 the Group had liquid assets of EUR 16.9 million at its disposal, as opposed to the EUR 3.5 million in current debts that it owed to banks. The credit line open at year-end was EUR 14.7 million, so available liquidity totaled over EUR 28 million. Talks are currently underway with banks with a view to negotiating higher credit lines.

INVESTMENTS

Major investment in 2002 was undertaken in the following projects:

- EUR 3.4 million to acquire the production facility of B.L.E. GmbH, Singen;
- EUR 0.6 million for the purchase of more Oracle licenses;
- EUR 0.5 million toward expansion of our French location;
- EUR 0.3 million balance paid to Image Technologies for laser writers.

Further investment was undertaken at a reduced level in office furniture replacement and in production equipment.

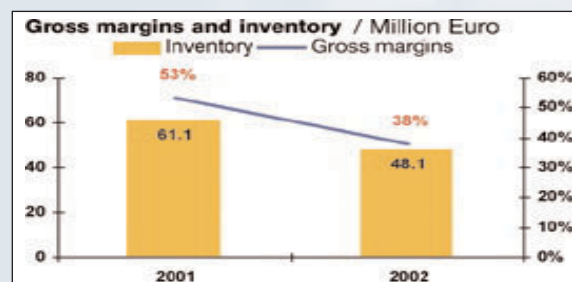
EARNINGS SITUATION

Margins are a key factor for judging an enterprise's earnings power. Margins declined markedly in 2002, primarily due to the following factors:

- Surplus capacity in the area of production led to reduced workload, idle times and higher charging rates for actual costs.
- The market situation led to markedly higher price pressure and the necessity to grant higher discounts, especially in the US (5.8% in 2002 against 2.1% in 2001).
- The high level of inventories led to correspondingly increased value adjustments for raw materials and finished products.
- The increasing strength of the EURO led to reduced margins, especially in North America.

Due to the orders situation, the Group saw itself compelled to prevent any further growth in stocks held by making appropriate changes in working hours models and by closing down for works vacations. These measures burdened margins because, for instance, „working hours debts“ of employees due to the reduction in hours works were not capitalized but booked as production costs, thereby affecting net earnings. To avoid any latent overvaluation of inventories, the standard rules put in place had the effect

of increasing outlay for adjusting the value of inventories. These value adjustments can lead to higher margins when the goods in question are sold.



We expect an improved margin situation as early as 2003, mainly:

- because excess capacity no longer exists to the same extent, which means lower idle capacity costs as well as discontinuing restructuring costs;
- because of a further running down of inventories and a corresponding reduction in the need for value adjustments;
- because of a rise in the learning curve for the new 300mm products and a corresponding reduction in manufacturing costs.

We will closely follow further developments in currency exchange rates so as to optimize the spread of value enhancement between currency areas as required. The risks to the margin in 2003 if the EURO continues to gain ground against the US dollar are only partly controllable.

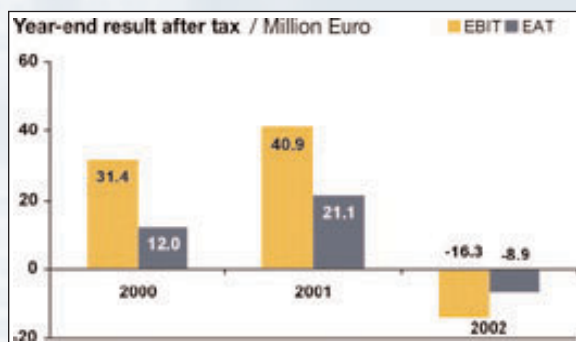
Administration and sales costs are determined primarily by the size of the workforce. Net sales per employee in relation to overall sales declined considerably year on year (EUR 0.145 million in 2002 against EUR 0.225 million in 2001). Consequently, due to the fall in sales and the lower margin these costs were no longer adequately covered.

SFAS 142 of the new US GAAP accounting principles stipulates that goodwill should no longer be amortized according to a fixed schedule, but that its value should be checked annually. Costs are only incurred if value adjustments is identified necessary. According to these accounting principles, no scheduled goodwill amortization was required in 2002. As a result, EBITDA in particular is more meaningful compared with 2001.

**GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT
PER 31 DECEMBER 2002**

Concerning financial and other results, interest expenses were reduced, mainly as a result of the increase in capital stock. On the other hand, the strong euro led to book losses on internal US dollar loans. If the euro were to weaken, these book losses would again lead to pro rata book gains.

A substantial component of the tax result is the pro rata capitalization of a previously fully value-adjusted loss carried forward by Canadian subsidiary MFI Inc. that was used via an accrued profit to transfer the entire know-how, including patents, to Dresden. No repeat of this special effect is to be expected in 2003.



An extensive restructuring program was launched in the fourth quarter of 2002 with the aim of adapting corporate structures to changed conditions (see also Staff). This led to restructuring expenses totaling EUR 2.4 million in 2002, of which EUR 0.3 million was paid out in 2002.

Essentially, this program will lead to improved margins and to much lower administration and sales costs. The program is backed by other cost-cutting programs in respect of advertising, consulting, travel costs and investments. We did not restructure the strategically important research and development area to the same extent because we believe that economies in this area would have a negative effect on future business development.

THE HOLDING COMPANY – SUSS MICROTEC AG

The holding company’s task is to steer and lead the SUSS Group of companies. Its responsibilities include strategic alignment, for example expansion of the product portfolio, acquisitions and financial matters pertaining to the entire Group. The holding company is also responsible for

corporate identity in the areas of investor relations and marketing.

The holding company is, as a rule, the sole shareholder in the companies listed in the consolidated financial statements. Loans were granted only to subsidiaries by the holding company, and mainly to SMTL GmbH, Garching, SMTLE GmbH, Singen, in Germany and to SUSS MicroTec Inc., USA, and SUSS MicroTec KK, Japan.

The earnings position of the holding company as an individual company does not depend directly on how our markets perform. The holding company refinances itself essentially by allocating costs that can be apportioned to the operative companies. In addition, it earns interest income by making loans to companies in the group.

Without special effects, as a rule the holding company makes an annual surplus, mainly due to the financial result, which includes interest income earned from the granting of internal loans and short-term financing.

In the holding company’s financial statement for 2002 under commercial law, the following special effects were primarily responsible for an annual net loss of EUR -1.656 million:

- Book losses on US dollar loans granted and not secured
- The costs of the capital stock increase booked as expenses
- Write-downs on the participating interest and loans to the MFI sub-group.

The holding company’s balance sheet changed insofar as the subsidiaries received markedly higher internal loans and short-term financing from the holding company. The background to this was primarily the repayment of group current liabilities to banks, reducing them from EUR 29.5 million at the end of 2001 to EUR 3.5 million at the end of 2002, and the corresponding avoidance of interest payments by the group on current liabilities. This did not affect long-term loans, which were not repaid ahead of time.

Based on the channeling to our subsidiaries of funds received from the increase in capital stock, we expect the holding company to have an assured earnings position in the future, since we do not expect the aforementioned special effects to be matched by corresponding burdens of this level on future results.

Outline of Key Financial Figures for the Holding Company (German Commercial Code)

	2002	2001	Change	in %
Annual net loss/				
Annual net profit	-1.656	3.674	-5.329	-145
Shareholders' equity	99.769	65.213	34.556	53
Balance sheet total	117.555	105.861	11.694	11
Portion of shareholders' equity in %	85	62		
Fixed assets	74.844	74.035	809	1
% of balance sheet total	64	70		
Current Assets	42.482	31.647	10.835	34
% of Balance sheet total	36	30		

Outline of Key Financial Figures for the group (US-GAAP)

	2002	2001	Change	in %
Annual net loss/				
Annual net profit	-8.938	21.079	-30.017	-142
Shareholders' equity	118.534	95.356	23.177	24
Balance sheet total	173.956	190.505	-16.549	-9
Portion of shareholders' equity in %	68	50		
Fixed assets	61.263	61.192	71	0
% of balance sheet total	35	32		
Current Assets	112.693	129.312	-16.619	-13
% of Balance sheet total	65	68		

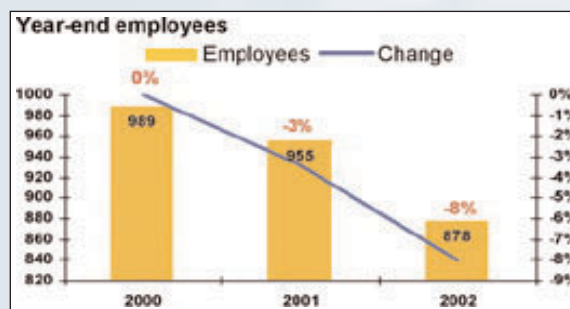
Staff

At the end of fiscal 2002, SUSS MicroTec AG's staff totaled 18 employees and 2 board members.

At the start of 2002, 955 staff were employed in the individual group enterprises. With the acquisition of assets from the insolvent B.L.E. GmbH of Singen, new contracts of employment were also concluded for 38 employees. As a result, employee numbers in 2002 peaked at 1.007 in the month of February.

In summer 2002, in a first phase of cutbacks, we decided to cut staff numbers by roughly 80, and proceeded to do so. This was achieved in the main by not refilling posts that

fell vacant, e.g. as a result of retirement, and by terminating the contracts of employees in their probationary period. As a result, no substantial costs were incurred.

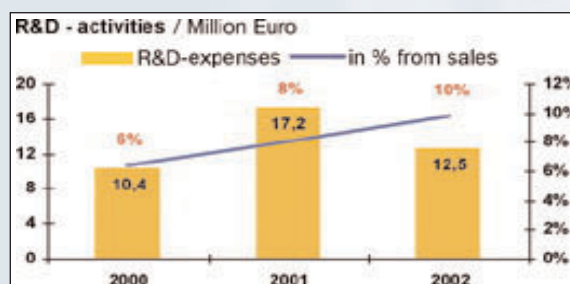


In the fall of 2002 we had to initiate a second phase of cutbacks affecting 174 staff in all. Restructuring costs totaling EUR 2.4 million were incurred in this connection, as per the details set out in the notes to the financial statements. All the staff involved who did not depart in 2002 will have left their respective company by the end of the first quarter of 2003.

This means that the number of employees (878 at the end of 2002) will decrease even further to 766 in first quarter 2003. The cutback was accompanied by appropriate organizational changes in the group's key operative companies. This was done to ensure that operative processes in the companies remain stable and that our products and services for customers suffer no loss of quality as a result of restructuring.

Research and Development

Research and Development activities are of key importance the sustainability of existing products and the development of new ones. Therefore, this area was affected to a far lesser extent than others by restructuring measures.



GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT PER 31 DECEMBER 2002

Key projects in 2002 served to improve existing products or represent development projects in the context of our roadmap:

- An ongoing continuous improvement program for the new 300mm Mask Aligner und Spin Coater (individual machines and cluster systems) in the framework of product launch.
- Development programs relating to Bonder Systems for 300mm and SOI (silicon on insulator) Bonding
- Research projects in the field of lithography. The results are intended to enable our Mask Aligner to advance into finer structure areas.

Furthermore, in any future resources cutbacks, we will pay attention that necessary and promising research and development projects are not impaired.

Outlook

Many analysts currently anticipate a tendency positive development in sales for the semiconductor equipment industry in the current year. This expectation is based essentially on the forecast of a recovery in consumer purchases of electronic products.

However, present developments both in our established markets and in the international economic and political situation provide no reason to expect a marked revival in 2003. For the first two quarters at least, we currently assume a level of sales even below the figures for 2002. The severity of the expected decline will depend to a considerable extent on exchange rate developments.

As in previous years, we expect to make a net loss in the first half year, though our main priority will be set on a positive development of the free cash flow. We do not expect any significant outflows of funds beyond the current year either, even if sales were to decline still more.

No sales and earnings forecasts can yet be given for the second half year. Flat progress at the first half-year level is possible, as is a recovery that could signify a doubling of business in the second half. However, many customary indicators lost their meaningfulness already in 2002. Any outlook can only be stated on a bandwidth scale.

In respect of the earnings situation, the goal of the measures implemented in 2002 was to achieve break-even with sales of roughly EUR 120 million. We regard this volume as achievable for 2003, but point out that if a variety of scenarios were to materialize, total sales in 2003 could range from below EUR 100 million to well over EUR 150 million. From the present viewpoint, we agree with the views of various market-leading enterprises in the sector and are cautiously optimistic for the second half year at least as regards the orders position.

In the different application fields, the following developments are critical for the orders position to pick up:

ADVANCED PACKAGING

- Many chip manufacturers or packaging foundries have implemented Advanced Packaging technology in recent years. Due to the difficult market environment, only the minimum possible production capacity was installed. Even a slight increase in demand for corresponding electronic products will necessitate new investments.
- Further-reaching developments toward smaller, more powerful devices demand new chip bonding techniques. After microprocessors, less complex chips such as DSP or Logic modules are now processed using Advanced Packaging methods.
- In the future, a very important application segment for Advanced Packaging will be in the field of D-RAM chips. While present D-RAM production uses exclusively traditional packaging technologies, in the future this market, too will increasingly utilize the benefits of Advanced Packaging. Only in years ahead do we expect D-RAM chips in the new 300mm wafer formats to contribute particularly significantly toward sales revenues. We will not have any boost to sales to record in this area in 2003.

COMPOUND SEMICONDUCTORS

- This segment is essentially influenced by telecommunications applications, where considerable over-investment was made in 1999 and 2000, especially in optic data networks. The associated overcapacity in the production facilities of manufacturers of optic transmission elements is only gradually being utilized, so there will

be no new investment here until there is a sharper increase in demand.

- The telecommunications industry is not expected to pick up markedly in 2003. New technologies such as UMTS and the expansion of mobile phone functions are supposed to improve the consumer climate, but will only have an economic impact in the years ahead.
- The present situation in respect of competition between network equipment suppliers could change considerably as a result of consolidations or as individual competitors pull out of individual segments. That would lead to an improved earnings position and a higher production capacity take-up rate for the remaining market participants and therefore also to an improved investment climate.

MICROSYSTEMS TECHNOLOGY (MEMS, MOEMS)

- Microsystems Technology differs from the other product lines in that it is much more diversified, both as regards the products themselves and the manufacturers of these products. Unlike microchips, which as a rule are produced in very large numbers at very low cost, with microsystems the numbers are much smaller and there is a far wider variety of different types. Therefore, microsystems technology is not attached to individual end markets, but is influenced rather by the general economy and the investment climate.
- At present, the strongest impetus for microsystems technology continues to come from the automotive industry. However, other end markets such as environmental sensor technology, biotechnologies, the chemicals industry and the new nanotechnologies offer new product opportunities for microsystems technology. With an improvement in the general investment climate, new stimuli are expected here, too.
- Development efforts that were continued even during the last two very difficult years have resulted in a series of new products or new product improvements. In the case of Wafer Bonders, a product specially for microsystems technology, we strengthened our competitive position markedly by concentrating responsibility at a single location in the US. Here we expect an upward sales trend as early as 2003 and beyond that a further expansion of our market share to markedly above 50%.

TEST & MEASUREMENT

- For SUSS MicroTec, the Test Systems product line has depended historically far less on semiconductor cycles, since here we do not offer production machines, but only machines for applications in the analytical area of development or of error tracing. These applications are very strongly affected by the general investment climate in the semiconductor industry and other high-tech markets. With an improvement in the economic framework data worldwide, here, again, stronger growth is expected for SUSS as well.
 - Based on the technology of MFI, the enterprise taken over in 2001, new testing heads for testing extremely small structures on a microchip were developed further. The first orders were booked, and market launch on a wider scale is planned for 2003.
 - The new Cryo-Prober, devices that permit circuit-testing at extremely low temperatures of -270°C and below, are primarily used in microsystems technology.
 - The newly developed MEMS Prober for sensor testing opened up an extremely interesting field of application for SUSS MicroTec testing equipment. Up until now, the testing of microsystems was an unsolved problem in sensor production.

Within regions, we see North America accounting for a larger proportion of total sales again in 2003. In the long term, we assume that the North America and Asia regions will be equally strong, while Europe and the rest of the world contribute approximately 20% to 25% of total sales.

We continue to take a positive view of the long-term potential of our products, especially in the Advanced Packaging line. The year 2002 followed a very successful 2001 and 2000 and should not be seen in isolation. The entire industry is in a recessionary phase and this has not left our fields of business untouched. However, within these fields of business our company's market position has further improved in relation to direct competitors. As a result, SUSS is excellently equipped for the coming upturn.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT PER 31 DECEMBER 2002

Risks for Continued Business Development

The worldwide activities of the enterprise in high technology give rise to general and current risks. The Executive Board has undertaken suitable measures to monitor risks and identify in good time any trends that might jeopardize the SUSS Group's survival.

GENERAL RISKS

Risks from Cyclical Market Fluctuations and Market Developments

The enduring crisis in the semiconductor market and the difficulty of assessing short-term and medium-term market trends remains one of the greatest risks for the enterprise. We are countering these risks by means of adjusted structures. As business activity picks up these are to be expanded, not internally in the same form as in 2000, but externally by way of outsourcing.

Access to Loan Capital

We expect changed conditions for the provision of loan capital in the future, primarily due to the introduction of Basel II. Minimizing dependency on short-term external capital in particular is meant to keep any potential financing risk low. We are countering this risk primarily by aiming to keep the proportion of loan capital at a low level with appropriate cash flow, including those arising from the optimization of working capital.

Currency Impacts

A further, long-term strengthening of the euro against the US dollar and the Japanese yen could represent a fundamental risk, since beyond a certain limit the current spread of value enhancement would no longer be optimal for earnings. As a rule, we offset short-term fluctuations by hedging transactions.

Market positioning

New technological developments by the competition could lead to non-planned obsolescence of some the product portfolio and thus of some potential, if new technologies were to offer faster, more efficient or lower-cost solutions for the same problem. We are countering this risk primarily by means of targeted expenditure on research and development and by ongoing coordination of development planning with key leading customers.

Liability Risks

SUSS products are regularly analyzed, checked and optimized by way of a comprehensive risk and quality management system. Since the products are deployed in a production environment of enterprises with growing product quality demands, SUSS's liability risk may increase. Along with other insurances, SUSS MicroTec has a product liability insurance for the Group which minimizes the potential risk.

Dependence on Individual Holders of Knowledge

In certain areas, especially research and development, the enterprise is dependent on the know-how of individual employees. Non-availability of these employees for the group would constitute a corresponding risk that is to be kept in check by in-house documentation requirements.

CURRENT RISKS

Structure and Organization

The essential adjustment of staff numbers and the associated organizational changes entail a risk of lowered process quality in workflows. This could affect the development of business.

Asset and Earnings Position

Both for the holding company's assets and in the consolidated balance sheet, ongoing low sales levels could make appropriate value adjustments necessary. This would not have any substantial effects on liquidity, but it would substantially affect the Group's or holding's earnings situation. Latent over-valuations of inventories are avoided by means of valuation regulations that apply throughout the group.

Price Pressure

In the present market environment there is a marked increase in pressure on prices. This involves a risk that even when markets recover, original target selling prices may no longer be achievable. We are counteracting this risk by pursuing a constant price policy of turning down orders offered on unattractive terms so as to guarantee customers consistent pricing when markets do recover.

Financial Position

In respect of the liquidity position we regard the short-term risks as containable since restructuring measures will lead to considerable savings on the expenses side. Only if slack development continues for the long term do we

regard it necessary to take further extensive action to adjust expenses.

Political Circumstances

Essentially, the crisis situations in Iraq and in North Korea could have considerable effects on the world economy in the short term, whether because war breaks out or because of the effects on the price of oil. An escalation would have a considerable influence on the course of business in 2003.

Events Since the Balance Sheet Date

On January 20, 2003 the conversion of the sales office in Shanghai into a legal entity was approved.

On February 12, 2003 the relocation to Vaihingen of SUSS MicroTec Laboratory Equipment GmbH's Singen facility was announced based on a Executive Board solution dated January 27, 2003. Therefore the authorization of the Supervisory Board already existed. This relocation also involved serving notice of dismissal to all 40 staff members at the Singen location, combined with an offer of further employment at the new place of business in Vaihingen. On the basis of information presently available, we expect 4 employees to take up this offer. The remainder, 36 staff members, will leave the company on March 31, 2003.

Garching, March 20, 2003
The Executive Board



Dr. Franz Richter



Stephan Schulak

I CONSOLIDATED INCOME STATEMENT

TEUR	01.01.2002- 31.12.2002	01.01.2001- 31.12.2001
Sales	132.379	222.721
Freight and Commissions	-4.864	-7.952
Net sales	127.515	214.769
Cost of goods sold	-79.598	-100.432
Gross profit	47.917	114.337
Administration and selling costs	-48.006	-54.679
Research and development costs	-12.537	-16.731
In process R&D expenses	0	-468
Amortization of goodwill	0	-4.344
Other operating expenses and income (Note No. V.1)	-401	2.978
Foreign currency exchange gains and losses	-3.319	-239
Net income from operations	-16.346	40.854
Interest expenses	-1.309	-2.060
Interest income	479	165
Minority interest in Net income of fully consolidated subsidiaries	-6	0
Income before taxes	-17.170	38.959
Income taxes (Note No. V.2)	8.232	-17.880
Net loss / Income	-8.938	21.079
Earnings before Interest and Taxes (EBIT) *)	-16.340	40.854
Earnings before Interest and Taxes, Depreciation and Amortization (EBITDA) *)	-9.419	50.406
Per share (Note No. IV.7):		
Basic earnings per share in EUR	-0,60	1,53
Diluted earnings per share in EUR	-0,60	1,53
Net loss / Income	-8.938	21.079
Other comprehensive income (net of tax) (Note No. IV.7)		
Differences in foreign currency translation	-3.192	-247
Additional minimum liability	-42	-1
Comprehensive Income	-12.172	20.831

*) unaudited

CONSOLIDATED BALANCE SHEET

TEUR	as of 31.12.2002	as of 31.12.2001
ASSETS		
Cash and cash equivalents (Note No. III.3)	16.914	7.459
Accounts receivables, net (Note No. III.4)	34.105	50.804
Other receivables and assets (Note No. III.5)	9.249	3.544
Inventories, net (Note No. III.6)	48.062	61.060
Prepaid expenses (Note No. III.7)	958	1.058
Deferred tax assets current (Note No. V.2)	3.405	5.387
Total current assets	112.693	129.312
Tangible assets (Note No. III.8)	16.592	18.755
Intangible assets (Note No. III.9)	9.679	12.069
Goodwill (Note No. III.9)	28.009	28.009
Investments in subsidiaries (Note No. III.10)	148	253
Deferred tax assets long-term (Note No. V.2)	4.895	357
Other long-term assets (Note No. III.11)	1.940	1.750
Total assets	173.956	190.505
LIABILITIES & SHAREHOLDERS' EQUITY		
Current bank liabilities (Note No. IV.1)	3.531	29.522
Current lease obligations (Note No. IV.2)	275	396
Accounts payable	3.934	7.477
Current portion of pension liabilities (Note No. IV.3)	223	513
Current portion of long-term debt (Note No. IV.4)	3.546	2.634
Other current liabilities (Note No. IV.5)	24.432	34.538
Total current liabilities	35.941	75.080
Long term debt (Note No. IV.4)	14.501	12.402
Leasing obligations (Note No. IV.2)	613	626
Pension liabilities (Note No. IV.3)	3.580	3.533
Other long-term liabilities (Note No. IV.6)	735	3.508
Minority interest in consolidated subsidiaries	52	0
Total long-term liabilities	19.481	20.069
Common stock (Note No. IV.7) Common stock EUR 1,00 par value 19.500 thousands and 22.423 thousand shares authorized Dec 31,2001 and 2002, respectively; 13.802 thousand shares and 14.957 thousands shares issued and outstanding Dec 31, 2001 and 2002, respectively	14.957	13.802
Additional paid-in capital	80.911	46.716
Appropriated retained earnings	433	433
Retained earnings (current year and brought forward)	25.637	34.575
Accumulated other comprehensive income (Note No. IV.7)	-3.404	-170
Total shareholders' equity	118.534	95.356
Total liabilities & shareholders' equity	173.956	190.505

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	01.01.2002- 31.12.2002	01.01.2001- 31.12.2001
Cash flow from operating activities		
Net loss / Net income	-8.938	21.079
Adjustments to equity caused by exchange-rate fluctuations	-1.505	-299
Adjustments to reconcile net loss income to net cash provided by operating activities		
Non-cash stock based compensation	1.430	1.535
Tax effect on expenses of share contribution	514	0
In process R&D expenses	0	468
Amortization of intangible assets	2.200	1.796
Amortization of goodwill	0	4.344
Amortization of investments in subsidiaries	0	15
Decrease of investments in subsidiaries caused by change in consolidation	106	0
Depreciation of tangible assets	4.174	2.996
Amortization of leased assets	547	416
Increase / Decrease of deferred tax assets	-2.556	1.013
Loss / Gain on disposal of assets	-20	133
Earnings on investment	-1	-6
Increase / Decrease of reserves of bad debts	-167	62
Increase / Decrease of reserves on inventory	811	4.505
Changes in assets and liabilities		
Decrease / Increase in accounts receivable	16.866	4.427
Decrease / Increase in inventories	15.047	-21.231
Decrease / Increase in prepaid expenses	100	234
Increase/Decrease in other assets	-5.895	-709
Decrease / Increase in accounts payable	-3.543	-4.233
Decrease / Increase in other current liabilities	-10.106	-14.665
Decrease in pension liabilities	-243	-491
Decrease / Increase in other long-term liabilities	-2.721	1.783
Net cash provided by operating activities	6.100	3.172
Cash flow from investing activities		
Payments in tangible assets	-2.935	-12.810
Payments in intangible assets	-139	-1.643
Received cash from / Payments for business acquisitions	-3.356	1.305
Proceeds from disposal of tangible and financial assets	203	72
Net cash used in investing activities	-6.227	-13.076
Cash flow from financing activities		
Increase of bank loans	5.677	1.345
Repayment of bank loans	-2.666	-2.975
Decrease / Increase of current bank liabilities	-25.991	2.362
Finance-lease payments	-844	-342
Proceeds from share capital contribution	34.465	0
Proceeds from issuance of common stocks	317	0
Payments for expenses of increase capital	-1.376	0
Net cash provided by financing activities	9.582	390
Net increase / decrease in cash	9.455	-9.514
Adjustments to funds caused by exchange-rate fluctuations	-239	125
Funds at beginning of the year	7.698	16.848
Funds at the end of the year	16.914	7.459

The accompanying notes are an integral part of the financial statements

TEUR	01.01.2002- 31.12.2002	01.01.2001- 31.12.2001
Supplemental cash flow information		
Interest paid during the period	1.103	2.368
Income taxes paid during the period including prepayments	3.304	16.788
Disclosure of other non cash activities		
Capital increase in connection with business combinations	0	10.682
Increase of tangible assets under capital lease	710	2.804
For disclosure of assets and liabilities acquired by business combination refer to note II.6		

FIXED ASSET MOVEMENT SCHEDULE

TEUR	Acquisition or Production Costs						31.12.2002
	01.01.2002	Currency-Differences	Addition from investing	Addition from acquisition	Reclassifications	Disposals	
I. Intangible Assets							
1. Concessions, intellectual property rights and similar rights and assets as well as licences to such rights and assets	15.765	-586	139	246	-225		15.339
2. Goodwill	40.581						40.581
	56.346	-586	139	246	-225	0	55.920
II. Tangible Fixed Assets							
1. Buildings and Land	7.989	-316	314		118	205	7.900
2. Technical Equipment and Machinery	13.198	-1.665	402		-351	1.059	10.525
3. Other Assets, office and plant furnishings	11.859	-415	2.163	250	458	434	13.881
4. Motor vehicles	740	-32	9			78	639
5. Facilities under construction	57	-9	47				95
6. Capitalized leased property							
Buildings and land	600						600
Technical Equipment and Machinery	833		518		-418		933
Other equipment, office and plant furnishings	870		192		430	195	1.297
	36.146	-2.437	3.645	250	237	1.971	35.870
III. Financial Assets							
1. Equity consolidated holdings	2.186		1*)				2.187
2. Other equity investments	308					106**)	202
	2.494	0	1	0	0	106	2.389
	94.986	-3.023	3.785	496	12	2.077	94.179

*) At Equity Valuation

*) Change in consolidated entities

Amortization / Depreciation						Net book value		
01.01.02	Currency-Differences	Additions	Addition from investing	Reclassifications	Disposals	31.12.2002	31.12.2001	31.12.2002
3.696	-140	2.200		-96		5.660	12.069	9.679
12.572						12.572	28.009	28.009
16.268	-140	2.200	0	-96	0	18.232	40.078	37.688
2.064	-87	949		33	85	2.874	5.925	5.026
6.051	-725	1.292		-279	1.055	5.284	7.147	5.241
7.320	-316	1.871		282	416	8.741	4.539	5.140
576	-26	62			44	568	164	71
							57	95
130				60		190	470	410
530		352		-323		559	303	374
720		195		335	188	1.062	150	235
17.391	-1.154	4.721	0	108	1.788	19.278	18.755	16.592
2.073						2.073	113	114
168						168	140	34
2.241	0	0	0	0	0	2.241	253	148
35.900	-1.294	6.921	0	12	1.788	39.751	59.086	54.428

I CONSOLIDATED STATEMENT OF SHAREHOLDERS* EQUITY

TEUR	Number of shares in thousand	Subscribed capital	Capital reserve	Earnings reserve	Profit carried forward	Cumulative Other Comprehensive Income	Total
As of 01 January 2001	13.459	13.459	34.995	433	13.496	78	62.461
Acquisition of Image Technology Inc.	343	343	10.186				10.529
Appropriation based on issuance of subscription rights			1.535				1.535
Annual net income					21.079	-247	21.079
Foreign currency adjustment net of tax							-247
Minimum liability of accruals for benefit obligations net of tax						-1	-1
As of 01 January 2002	13.802	13.802	46.716	433	34.575	-170	95.356
Transfer of profit/loss carried forward account	1.130	1.130	33.335				34.465
Appropriation based on increase in share capital			-862				-862
Appropriation based on issuance of subscription rights			1.430				1.430
Appropriation based on issuance of common stock	25	25	292				317
Annual net loss					-8.938		-8.938
Foreign currency adjustment net of tax						-3.192	-3.192
Minimum liability of accruals for benefit obligations net of tax						-42	-42
As of 30 September 2002	14.957	14.957	80.911	433	25.637	-3.404	118.534

SHARES AND OPTIONS OF THE EXECUTIVE BODIES

	Shares as of 31.12.01	Options as of 31.12.01	Shares as of 31.12.02	Options as of 31.12.02
Executive Board				
Dr. Franz Richter	400,000	65,000	400,000	65,000
Stephan Schulak	0	286	0	286
Supervisory Board				
Dr. Winfried Süss (Vors.)	1,039,780	0	1,039,780	0
Thomas Schlytter-Henrichsen (stellv. Vors.)	6,909	0	6,909	0
Dr. Christoph Schücking	500	0	500	0
Prof. Dr. Anton Heuberger	0	0	0	0
Dr. Thomas Sesselmann	0	0	0	0
Horst Görtz	3,894	0	3,894	0

CORPORATE CALENDAR

2003

06.05.-08.05.	SEMICON Singapore, Singapore
07.05.	Quarterly report I/2003
06.06.	General meeting SUSS MicroTec AG, Munich
14.07.-16.07.	SEMICON West/ Frontend, San Francisco
16.07.-18.07.	SEMICON West/ Backend, San Jose
05.08.	Semiannual report 2003
15.09.-17.09.	SEMICON Taiwan, Taipei
04.11.	Ninemonth report 2003
03.12.-05.12.	SEMICON Japan, Chiba

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2002**

I. Description of the Business Activity

SUSS MicroTec AG („SMT“ or the „Company“) was formed as a result of the reorganization of Karl Süss Verwaltungs GmbH. The Company operates on an international level and deals in products from the areas of micro-systems technology and micro-electronics. Production is concentrated at the sites of Garching, Sacka, Vaihingen and Singen (Germany), Waterbury and Palo Alto (USA), and Saint Jeoire (France). The site of ABlar, Germany, is used principally as an extended workshop (separate site for assembly services). The products are distributed both from the production sites as well as from independent sales companies situated in the United Kingdom, Japan and Thailand. In countries where the Company is not itself represented, sales are handled via sales agencies.

II. Summary of the Relevant Accounting Principles

II.1 Basis of Representation

The Company has been listed on the regulated market of the Frankfurt Stock Exchange and the Neuer Markt segment of the Deutsche Börse AG since 18 May 1999.

The present Consolidated Financial Statements were prepared in accordance with the generally accepted accounting principles (US-GAAP) recognized in the US.

Pursuant to §292a of the Germany Commercial Code (Handelsgesetzbuch; hereinafter „HGB“), the Company is thus not required to prepare its Consolidated Financial Statements in accordance with the provisions of §§290 et seq. of the HGB. The Group Management Report was prepared in accordance with the provisions of §290 (1) et seq. of the HGB.

All figures are in thousand EURO, unless otherwise stated.

II.2 Essential Differences between the Accounting Principles under German Commercial Law and US-GAAP

The following is a summary of the essential differences between US-GAAP and the generally accepted accounting principles under German commercial law, which are of particular relevance to the Company.

Tangible Fixed Assets

In the Consolidated Financial Statements according to US-GAAP moveable assets are depreciated on a straight line basis, whereas according to the German accounting principles, taking into account the relevant tax provisions, depreciation also takes place on a reducing-balance basis.

According to US-GAAP, leased land, buildings and operational equipment are carried as assets if certain criteria are met. Depreciation takes place over the useful life of the item or over the period of the leasing contract, whichever is the shorter. The payment obligations arising from leasing payments are carried as liabilities. According to German accounting standards, fixed assets are treated similarly in accounting practice, although the criteria to be fulfilled are different.

Goodwill

In US-GAAP, Goodwill is not amortized any more since Jan 1, 2002 but subject to an impairment test that has to be performed at least on a yearly basis. Following German commercial code, Goodwill is still amortized over the expected useful lifetime of not more than 15 years. An impairment test is only performed in the case of an event or change in circumstances that may indicate devaluation.

Deferred Taxes

In accordance with German accounting standards, deferred taxes which arise from tax loss carry-forwards are not recognized. Deferred tax assets resulting solely from the valuation differences between commercial law and tax law may be recognized. A provision for deferred tax liabilities must be set up.

According to US-GAAP, there is an obligation to record deferred tax assets, regardless of their origin, and an obligation to record deferred tax liabilities. With regard to reporting as short-term and long term, these deferred items follow the classification of those items, which gave rise to the valuation differences. Deferred tax assets are investigated with regard to whether recognition of the item is probable, and if necessary, an appropriate devaluation is made.

Other Provisions

According to US-GAAP, provisions for contingent liabilities may only be set up if it seems highly probable that the liability will materialize and the amount of the liability can reasonably be estimated. According to German accounting principles, provisions may also be set up when utilization thereof is merely possible, i.e. sufficiently probable.

Pension Provisions

According to US-GAAP, pension obligations that have been incurred are calculated according to the cumulative process of the „projected unit credit“ method. The cash value of the pension obligation, which must be accrued, is thereby increased from year to year by the cash value of the entitlement earned by the employees. The basis of calculations for the annual pension costs is the cash value of the earned pension expectancy, taking into account future wage and salary adjustments. The discount rate is based on the long-term interest rate.

According to German accounting standards, provisions for employees' pension liabilities, which exist on the balance sheet date, are determined on the basis of the „going-concern value method“ for taxes. Adjustments with respect to future wage and salary increases are not taken into account. The liabilities are shown fully as an obligation according to the actuarial evaluation with respect to retirement age, life expectancy and other factors, using a fixed annual interest rate of customarily 6%.

Conversion of Foreign Currencies

According to US-GAAP, accounts receivable and liabilities in foreign currencies are converted at the rate prevailing at the balance sheet date. Unrealized profits and losses are effectively anticipated. According to German standards, foreign currency account receivables are treated according to the lowest value principle and foreign currency liabilities according to the imparity principle. As a result, only unrealized losses are effectively anticipated, whereas unrealized profits from currency rate developments remain unaccounted for at the balance sheet date.

II.3 Basis of the US-GAAP statements

Derivative Financial Instruments

Accounting for derivatives follows Statements of Financial Accounting Standard (SFAS) No. 133, „Accounting for Derivative Instruments and Hedging Activities“. Derivative Instruments are accounted at fair market values and are included in other assets or other liabilities. Changes in the value are immediately recorded in the income statement. Using financial derivatives in principle follows the requirements of Hedge Accounting, but the company does not use Hedge Accounting.

I **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2002**

Cash and Cash Equivalents

Cash and cash equivalents include credit balances with banks as well as short-term capital deposits with a term of less than three months at the time of investment.

Accounts Receivable

Accounts Receivable are recognized at nominal values. Allowances at an appropriate level are made for doubtful accounts as well as for bad debts.

The Group's customers are concentrated in the semi-conductor industry but are distributed over a wide geographic area. None of the individual customers has a substantial share in the total proceeds of the Company. By the same token, there are no substantial account receivables outstanding against any individual customers.

Marketable Securities

Securities and investments are accounted for at fair value, if readily determinable. Unrealized gains and losses on available-for-sale securities are included in accumulated other comprehensive income, net of applicable taxes. All other securities are recorded at cost. Unrealized losses on all marketable securities and investments that are other than temporary are recognized in earnings.

Inventories

Inventory is carried at the lower of either manufacturing or acquisition cost or market value. Manufacturing costs include direct material and production costs as well as separable material and manufacturing overheads. The manufacturing costs of unfinished and finished products are determined on the basis of the direct costs allocable thereto whereas the FIFO (first-in, first-out) method is used to determine the value of all other inventories. The Cost of Goods Sold include also costs that can be directly attributed to Service Revenues. The prior year was reclassified accordingly.

Any inventory risks arising out of the storage period or diminished usability have been taken into account through adequate inventory allowances.

Tangible fixed assets

Tangible fixed assets are capitalized at acquisition and/or manufacturing cost and depreciated on a straight line basis according to their estimated useful life. The period of depreciation for the relevant asset categories is set forth below:

Buildings, Exterior Facilities and Leasehold Improvements	10 - 40 Years
Software	3 - 5 Years
Technical Facilities and Machinery	4 - 5 Years
Other Facilities, Operational and Business Equipment	3 - 5 Years
Vehicles	5 Years

Repair and maintenance expenses are charged directly to the Income Statement. Substantial investments in renovation and expansion are capitalized to the extent that they increase the value of the investment object.

In the case of asset disposal, the related historical costs and accumulated depreciations are taken off the books and the difference to sales proceeds is reflected in the Income Statement as either income or expense.

Interest expenses that are attributed to an asset during its creation are capitalized and, after completion, amortized over the expected useful lifetime of the asset.

In the case of leased fixed assets, a difference is made between the finance leases and operating leases. Finance-leased assets are capitalized on the basis of the cash value of all future minimum lease payments and at the same time the leasing debt is included in liabilities. The capitalized items are depreciated over their useful life, while the leasing debt is repaid, together with interest thereon, in accordance with the relevant lease contract. In the case of operating leases, however, no capitalization is performed but the leasing payments are entered in the Income Statement as an expense.

Goodwill

Following SFAS NO. 142, Goodwill and intangible assets with indefinite useful lifetime since Jan 1, 2002 are not amortized anymore. On a yearly basis or in case of triggering events that could reduce the fair value of a Reporting Unit (RU), an impairment is performed. The Group identified primarily the legal entities as Reporting Units.

The impairment test is done in two steps. In the first step, the market value of a RU is compared with the book value including Goodwill. If the book value exceeds the market value, this is an indicator for a potential impairment requirement. Then the second step is performed, where the implied market value of the Goodwill is compared with the book value. The implied market value of the Goodwill equals the difference between the market value and the value of all assets and liabilities of the RU, similar to the approach in SFAS NO. 141 for business combinations. If this implied value is below the book value of the Goodwill, an extraordinary write-down is necessary.

Within the initial implementation of SFAS NO. 142, the impairment test did not cause any Goodwill impairment.

Intangible Assets

Intangible Assets with an indefinite useful lifetime are not amortized anymore since Jan 1, 2002. On a yearly basis or when triggering events occur even within the year, an impairment test is performed for these assets. This impairment test is based on a comparison between the market value and the book value. In the case that the book value exceeds the market value, an extraordinary write-down would be booked.

Intangible assets with a definite useful lifetime are accounted at acquisition costs and are subject to ordinary amortization over the useful lifetime not exceeding 10 years.

Accounting for the Impairment or Disposal of Long-Lived Assets

In accordance with the provisions of SFAS NO. 144, „Accounting for the Impairment or Disposal of Long-Lived Assets” (see New Accounting Pronouncements), the Group evaluates long-lived assets with a definite useful lifetime. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of assets to be held and used is assessed by comparing the carrying amount of an asset or asset group to the expected future undiscounted net cash flows of the asset or group of assets. If an asset or group of assets is considered to be impaired, the impairment to be recognized in the Group's financial statements is measured as the amount by which the carrying amount of the asset or group of assets exceeds fair value. Long-lived assets meeting the criteria to be considered as held for sale are reported at the lower of their carrying amount or fair value less costs of disposal.

I **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2002**

Pension Liabilities

The pension liabilities are reported in accordance with SFAS NO. 87, „Employers Accounting for Pensions“. The liabilities resulting from the plans of the German Group companies are calculated using the „projected unit credit“ method. Future increases in salary and other increases in remuneration are taken into account.

Other Comprehensive Income

According to US-GAAP, it is required that „other comprehensive income“ be reflected in the Consolidated Annual Financial Statements. In this respect, Other Comprehensive Income is defined as follows:

Any changes to equity within the fiscal year, which were not caused by shareholders and are usually not included in the annual net income according to US-GAAP. Such procedures affect, inter alia, foreign currency adjustments and certain unrealized profits/losses from securities and that portion of the minimum liability for pension reserves which exceeds the in-tangible assets that may be capitalized.

Accounting for Stock-Based Compensation

The Company reports its commitments from stock option plans using the fair value approach in accordance with SFAS NO. 123, „Accounting for Stock-Based Compensation“

Earnings per share

The Company calculates the earnings per share according to SFAS NO. 128, „Earnings per Share“.

The undiluted earnings per share are calculated using the net income/net loss divided by the weighted average of the issued shares. The in 2001 and 2002 issued shares are recognized since the time of consolidation or the issuance respectively.

The diluted earnings per share consider also share equivalents, especially share options, in the weighted average of shares.

Revenue Recognition

The SEC Staff Accounting Bulletin (SAB) No. 101, „Revenue Recognition in Financial Statements“ is being applied. In accordance therewith, the portion of revenue where collection is reasonable is recognized in relation to the goods and services already supplied, but only after the passing of the risk to the customer. If, after delivery, there are goods and services essential to the order that must still be supplied, the related revenues will be recognized only after such goods and services have actually been delivered. Service Revenues are recognized after Service is performed or, in case of existing Service Contracts, on a pro rata temporis basis.

Freight and Commission

Freight-out and commission payments to third parties, to the extent that they are connected with the sale and distribution of the products, are reflected as a reduction of sales. Freight-in for products purchased for use in the manufacturing process are allocated to cost of goods sold. Commission payments to the Group's staff members are shown under the general administration and selling costs.

Expenses for Advertising, Research & Development

Expenses for Advertising, Research & Development are expensed immediately.

Other Income and Expenses

The other Income and Expenses are allocated to the Operating Profit. The prior year therefore was reclassified. This also applies for the Foreign Currency Exchange Gains and Losses.

Taxes

The Group uses SFAS NO. 109 „Accounting for Income Taxes“. According to the liabilities method, deferred tax assets and liabilities are created for the expected tax consequences arising out of the differences of assets and liabilities between the accounting methods according to US-GAAP and the local tax provisions. In this connection, those tax rates and tax provisions are used which apply at the time of the realization of these differences.

Loss carry-forwards are capitalized and examined to determine whether they can be realized in the future or not. If necessary, an appropriate allowance is made.

The applied average income tax rate is explained in the tax reconciliation. Concerning the calculation we refer to V.2. In 2003 only, the German corporate tax is increased from 25% to 26.5% due to the flood solidarity law. This change is considered in the calculation of the deferred taxes. The impact of this change on the 2002 statement was not material.

Accounting for subsidies

In the recording of subsidies, a distinction is made between investment subsidies and research and development subsidies or subsidies for other expenses. Upon receipt of payment, investment subsidies are deducted directly from the acquisition cost of the fixed assets purchased. The other subsidies are recorded upon receipt of payment under the item „other income“, thereby affecting operating results.

Use of Estimates

The preparation of the Consolidated Annual Financial Statements according to generally accepted accounting principles requires that management makes certain estimates and assumptions, which will have an effect on the figures shown in the Consolidated Financial Statements. The actual figures may differ from the estimated amounts.

II.4 Consolidation

In addition to SMT, the Consolidated Financial Statements include all companies of significance over which - irrespective of the shareholding in these companies-control is being exercised in accordance with the control principle. This is generally assumed in the case of a shareholding in excess of 50 %.

Associated companies over which the Group may exert a material influence, (generally in the case of a shareholding between 20 and 50%) are valued according to the equity method.

Other equity holdings and companies over which no material influence may be exerted are carried at cost less any necessary reduction in value.

All intergroup assets and liabilities as well as income and expenses are eliminated. This includes also inter-group profits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2002**

Business Combinations

Since July 1, 2001 the group uses SFAS NO. 141 „Business Combinations“. Following SFAS NO. 141, all combinations have to be accounted for using the Purchase Method with all assets and liabilities acquired to be accounted for at fair values. Any remaining positive difference after the purchase price allocation as recognized as Goodwill. In case of a remaining negative difference even after devaluation of long term assets, this negative Goodwill is recognized immediately as extraordinary income. This procedure also applies for companies accounted for at equity.

Foreign Currency Translation

The foreign currency conversion is performed in accordance with the Statement of Financial Accounting Standards (SFAS NO. 52), „Foreign Currency Translation“.

Transactions in Foreign Currencies

Purchases and sales in foreign currencies are converted using the daily rate of exchange at the time of the transaction. Foreign currency profits and losses are reflected under „foreign currency exchange gains/losses“, thereby affecting operating results.

Conversion of Annual Financial Statements into Foreign Currency

The functional Currency of the group is the EURO. Balance sheet items of subsidiary companies, whose standard currency is the respective local currency, are converted (with the exception of equity capital, which is converted at historical rates) at the applicable rate on the balance sheet date. Income Statement items are converted at the weighted average rate of the respective year.

	2002		2001	
	Balance Sheet	P&L	Balance Sheet	P&L
1 EUR	1,00	1,00	1,00	1,00
1 EUR vs 1 USD	1,04	0,95	1,13	1,12
1 EUR vs 100 JPY	124,20	118,10	86,46	92,05
1 EUR vs 1 GBP	0,62	0,63	0,61	0,62
1 EUR vs 1 CHF	1,45	1,47	n/a	n/a

The resulting conversion differences are reported as separate components of equity (OCI – Other Comprehensive Income).

II.5 Information concerning the Consolidated Group

The following subsidiaries and equity holdings of SUSS MicroTec AG (the Group's ultimate parent company) are included in the Consolidated Financial Statements as of 31 December 2001 (information concerning the individual companies' capital and net income for the year has been provided in accordance with local law and in the local currency; (*)=unaudited):

Entity	Subscribed Capital	Investment	Equity total	Annual income	Consolidation
SUSS MICROTEC AG, Garching	14.956.884,00 €	Holding	99.766.889,87 €	1.655.717,25 €	
SUSS MICROTFC LITHOGRAPHY GMBH, Garching	2.000.100,00 €	100%	24.399.355,00 €	-1.681.756,86 €	full
SUSS MICROTEC TEST SYSTEMS GMBH, Sacka	511.291,88 €	100%	7.990.484,51 €	967.391,54 €	full
SUSS MICROTFC LAB. EQUIPMENT GMBH, Singen (*)	26.000,00 €	100%	-2.053.292,00 €	-2.192.323,00 €	full
SUSS MICROTFC LTD., Wokingham Berkshire (*)	£10.000,00	100%	£1.411.051,00	£87.022,00	full
SUSS MICROTFC KK, Yokohama	30.000,00 T.JPY	100%	451.358,28 T.JPY	-396.409,87 T.JPY	full
SUSS MICROTEC S.A., St. Jéore	1.275.000,00 €	100%	2.569.884,00 €	-590.177,00 €	full
SUSS MICROOPTICS S.A., Neuchatel (*)	500.000,00 CHF	85%	478.216,77 CHF	-21.783,23 CHF	full
SUSS MICROTFC INC., Waterbury	\$105.000,00	100%	\$18.908.548,00	\$5.505.848,00	full
IMAGF TECHNOLOGY INC., Palo Alto	\$24.287,00	100%	\$901.580,00	\$76.038,44	full
MHI TECHNOLOGIES Group (*)	\$2.737.476,00	100%	-\$3.439.148,00	\$2.412.873,00	full
HUGLE LITHOGRAPHY INC., Sunnyvale (*)	\$1.190.412,00	53,1%	n/a	n/a	at equity
SUSS MICROTFC COMP. LTD., Bangkok (*)	4.000,00 TTHB	49%	9.984,85 TTHB	934,95 TTHB	at equity
KARI SÜSS GESCHÄFTSFÜHRUNGS-GMBH, Garching (*)	50.000,00 €	100%	41.121,00 €	-10.266,66 €	at cost
Zentrum für Technologie-Strukturentwicklung, Claubitz (*)	51.129,19 €	10%	n/a	n/a	at cost
ELECTRON MEC. S.R.L., Milan (*)	n/a	10%	n/a	n/a	none

II.6 Acquisitions

Operations of B.L.E. GmbH, Singen

With the purchase agreement dated January 16, 2002, the entity Karl SUSS GmbH acquired the operation of the insolvent B.L.E. GmbH, Singen, against payment of 3,356 TEUR net. With the following business activities initiated, a renaming to SUSS MicroTec Laboratory Equipment GmbH and a relocation to Singen were performed. The former entity Karl SUSS GmbH has been fully consolidated since January 1, 2002.

Breakdown of acquired assets:

	Amount TEUR
Intangible Assets	250
Tangible Assets	246
Inventories	2.860
Total	3.356

With acquisition of the assets the company also gained all rights on the Spin Coater products. These products are a strategic supplement to the existing product portfolio and partially replace our own manual Spin Coater, since the acquired products have a better market potential. Furthermore, employees of the former B.L.E. GmbH were hired.

A pro forma statement for 2001 cannot be disclosed since the liquidator of B.L.E. GmbH currently has no final numbers for the fiscal year 2001. The compilation of prior year numbers would cause disproportional efforts for the group.

Image Technology Inc., Palo Alto (2001)

Pursuant to an Agreement of 12 March 2001, the shareholders of Image Technology, Inc. have made a non-cash capital contribution of their entire shareholding (24,287 shares at 1.00 USD per share) in return for the granting of a total of 343,256 shares (1.00 EUR per share) of SUSS MicroTec AG (capital increase from authorized capital). As contractually agreed, the number of shares that were to be granted was derived from the fixed purchase price of USD 9,562,213.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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In the opening balance sheet as of 12 March 2001, the assets and liabilities are reflected as follows:

	Amount TEUR
Current Assets	1.175
Fixed Assets	4.648
Cash and Cash equivalents	1.305
Assets	7.128
Liabilities	3.998
Equity	3.130
Liabilities	7.128
Goodwill incurred	7.399

As of 12 March 2001, the company has been included in the Consolidated Financial Statements as a subsidiary. The goodwill resulting from there was until the end of 2001 amortized over a period of 10 years, while the identifiable intangible assets are amortized over a period of 5 years. The unaudited pro forma summary which is set forth below shows the SUSS Group's consolidated earnings under the assumption that the acquired company was included in the Group's consolidated earnings as of 1 January 2001.

2001 pro forma	Amount TEUR
Sales	215.804
Operating Profit	39.766
Earnings after Taxes	20.888
EPS undiluted EUR	1,51
EPS diluted EUR	1,51

II.7 New Accounting Standards

SFAS NO. 143 – Accounting for Asset Retirement Obligations

In June 2001, the FASB issued SFAS NO. 143, „Accounting for Asset Retirement Obligations.“ The statement applies to legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS NO. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The Group will adopt SFAS NO. 143 as of January 1, 2003. SUSS does not expect a significant impact from the adoption of SFAS NO. 143.

SFAS NO. 146 – Accounting for Costs Associated with Exit or Disposal Activities

In July 2002, the FASB issued SFAS NO. 146, „Accounting for Costs Associated with Exit or Disposal Activities.“ The Statement requires that a liability for costs associated with exit or disposal activities be recognized in the period in which the costs are incurred if a reasonable estimate of fair value can be made. Under current accounting guidance, a liability can be recognized when management has committed to an exit plan. The requirements under SFAS NO. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Restatement of previously issued financial statements is not permitted. The adoption of this Statement will affect the Group's accounting for exit and disposal activities initiated after December 31, 2002.

SFAS NO. 148 – Accounting for Stock-Based Compensation

In December 2002, the FASB issued SFAS NO. 148, „Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123.” SFAS NO. 148 amends SFAS NO. 123, „Accounting for Stock-Based Compensation” to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS NO. 148 requires more prominent disclosures in both interim and annual financial statements about the method of accounting used for stock-based employee compensation and the effect of the method used on reported results. The company already uses the fair value approach of SFAS NO. 123 and therefore expect no major impact of SFAS NO. 148.

FIN 45

Also in November 2002, the FASB issued FASB Interpretation („FIN”) 45, „Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB statements 5, 57, and 107 and rescission of FASB Interpretation 34.” This Interpretation elaborates on the disclosure to be made by a guarantor in its financial statements regarding obligations under certain guarantees that it has issued. FIN 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation due to the issuance of the guarantee. Disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. Concerning the disclosure requirements, we refer to IV.5.

The recognition and measurement provisions are effective for guarantees issued or modified after December 31, 2002. We are currently determining the impact of the recognition and measurement provisions of FIN 45 on the Group’s consolidated financial statements.

FIN 46

In January 2003 FASB announced FIN 46, „Consolidation of Variable Interest Entities”. With this interpretation clarification should be given when a entity has to be regarded as a Variable Interest Entity (VIE) and when the assets, liabilities, minority interests and results have to be included in the consolidated financial statement. The Group expects here no significant impact on the financial statements.

III. Illustration of Balance Sheet Assets

III.1 Market Values of Financial Instruments

The estimated market values of non – derivative financial instruments do not necessarily represent the values, which the Group would realize in an actual market transaction.

For the determination of the market values of the individual categories of financial instruments, the following methods were used and assumptions made:

Cash and cash equivalents: Due to the short-term nature of the investments, the book values correspond approximately to the market values.

Trade debtors: Due to the short term nature of the accounts receivable from trade debtors, the book values correspond approximately to their market values.

Securities: The market values are determined on the basis of stock exchange prices.

Long-term loans: Market values were estimated on the basis of listed market prices of instruments with similar times to maturity and interest rates.

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Derivative instruments are reported at their market values.

The estimated market values for the financial instruments of the Group as of 31 December 2002 are set forth in the following table:

	2002		2001	
	Book Value	Market Value	Book Value	Market Value
Cash & Cash equivalents	16.914	16.914	7.459	7.459
Accounts Receivable	34.105	34.105	50.804	50.804
Current bank obligations	-3.531	-3.531	-29.522	-29.522
Long-term financial debt (including short-term portion)	-18.047	-18.843	-15.036	-14.137
Total	29.441	28.645	13.705	14.604

III.2 Derivative Financial Instruments

Within the risk management, derivative financial instruments are used to limit impacts of currency fluctuations.

The group hedges the following risks by using currency forward contracts.

Hedging of inter-group purchase and sale contracts

Inter-group purchase and sale contracts occur with cross-border deliveries between subsidiaries. This applies especially for entities in the USD and JPY areas who purchase goods from affiliates in the EUR area. At the time when the internal order is placed, currency forwards are closed to hedge currency fluctuations up to the time of payment. Since the underlying transaction does not take place until revenue recognition occurs, the company hedges anticipated transactions.

Hedging of inter group loans

Loans issued by the Holding to subsidiaries are typically in the functional currency of the subsidiary. Repayment is therefore also done in this currency. To hedge currency fluctuations, currency forwards are closed based on the repayment schedule. Derivatives are not used for any type of speculation.

Derivatives at year end 2002:

	Nominal Vol.	Market Value
Sale of USD (in k USD)	3.093	517
... up to one year	2.693	450
... due until 2004	400	67
Purchase of USD (in k USD)	155	-11
... up to one year	155	-11

The currency future contracts have been entered into exclusively with German first class credit institutions.

III.3 Cash and Cash Equivalents

Changes in the current bank liabilities are shown as financing activity in the Cash Flow Statement. The prior year was adjusted accordingly.

	2002	2001
Cash & Cash equivalents	16.914	7.159
...there of Short-term investments	4.369	0

III.4 Accounts Receivable

Figures 2002:

	2002	2001
Accounts Receivable - gross	35.628	52.194
Doubtful debts reserves	-1.523	-1.690
Accounts Receivable - net	34.105	60.804

III.5 Other Receivables and Assets

Pursuant to an Agreement dated 7 August 2001, the remaining accounts receivable deriving from the transfer of the proprietary rights to the patents and technology concerning SUSS MicroTec Inc.'s and SUSS MicroTec Lithography GmbH's X-ray lithography in 1998 were sold to JMAR Technologies, Inc. In return, the Company received an amount of USD 267K and 60,000 shares (valued at USD .01 per share) in JMAR Technologies, Inc.. The sales proceeds were reflected under other income and – as the Company plans to sell the shares - the shares are reflected as „available for sale“ under other assets.

Concerning the JMAR shares, we recorded a permanent impairment in the income statement amounting TEUR 140. The remaining book value at year end 2002 was TEUR 63 (2001: TEUR 203). Following positions are included:

	2002	2001
Turnover Tax	429	701
Currency Forwards	505	20
Deposits paid	476	168
Corporate tax prepayments	5.560	66
Others	2.279	2.589
Other current assets	9.249	3.544

III.6 Inventories

Breakdown of inventories:

	2002	2001
Materials and Supplies	21.445	33.613
Work in Process	12.154	13.428
Finished Goods	8.965	7.442
Demonstration Equipment	11.981	8.699
Merchandise	410	3.960
Inventory reserves	-6.893	-6.082
Inventory -net	48.062	61.060

No pledge on inventories (2001: TEUR 18.657) exists for securing loans due to the referring credit line being currently under renegotiation.

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III.7 Prepaid expenses

Prepaid expenses include advance payments, for example lease or insurance fees.

III.8 Tangible Assets

We refer to the fixed assets movement schedule.

	2002	2001
Depreciation on tangible assets	4.721	3.387

No pledge on tangible assets (2001: TEUR 1.432) exists for securing loans due to the referring credit line being currently under renegotiation.

Leasing

The Group has leased certain tangible fixed assets on the basis of long-term lease agreements. Because of their specific features, these agreements constitute finance leasing and are treated accordingly in the accounts. For a detailed disclosure we refer to the fixed asset movement schedule and to IV.2.. In addition, the Group leases buildings, office equipment and vehicles, which represent operating leases.

III.9 Intangible Assets and Goodwill

In adoption of SFAS NO. 142, Goodwill amounting EUR 28 Mio since January 2002 is no longer amortized.

Related to the adoption, the useful lifetimes of all acquired intangibles were evaluated in May 2002. No intangible was identified that has an indefinite useful lifetime.

Also, the first adoption required that intangible assets that do not meet the criteria of SFAS NO. 141 are reclassified to Goodwill. Furthermore, intangible assets that were in the past included in the Goodwill, needed to be reclassified to intangible assets. The group did not identify any reclassification requirements.

The yearly impairment test on the Goodwill is performed in the 3rd quarter of each fiscal year.

In the following table, the impact of the initial adoption of SFAS NO. 142 on net income and earnings per share is outlined as if the adoption was effective 1 January 2001:

	2001 pro forma	2001 as reported
Net Income	25.423	21.079
Goodwill Amortization included	0	4.344
EPS undiluted	1,851	1,535
EPS diluted	1,842	1,527

A change of the Goodwill did not take place. Concerning the intangible assets, we refer to the fixed assets movement schedule.

Extraordinary write - downs on intangible assets were performed neither in 2001 nor in 2002.

	2002	2001
Amortization on intangible assets	2.200	6.140
... thereof on goodwill	0	4.344

Based on the existing intangible assets with a definite useful lifetime, the company expects the following depreciations or amortizations for the next 5 years:

	Amount TEUR
2003	2.261
2004	2.034
2005	1.877
2006	1.332
2007	1.209
... Later	966

These estimates can differ from the future effective amounts.

III.10 Investments in subsidiaries

Financial investments consist of the following:

	2002	2001
Equity investments at equity	114	113
Other equity investments	34	140
Financial investments	148	253

The equity investment in Hugel Lithography Inc., USA (share 53,1%) is consolidated at equity. The investment was TEUR 22 at the end of 2002 (2001: TEUR 22). Business activity in 2002 was not material.

The financial investment in SUSS MicroTec Company Ltd., Bangkok is also consolidated at equity. The investment was TEUR 92 at the end of 2002 (2001: TEUR 91). Financial information concerning this investment (in thousand BAHT):

	2002	2001
Revenues	30.321	31.155
Expenses	29.146	30.494
Taxes	240	213
Earnings	936	446
Current Assets	5.217	2.744
Fixed Assets	6.727	7.945
Total Assets	11.944	10.689
Liabilities	1.960	1.727
Equity	9.984	8.962
Total Liabilities	11.944	10.689

There are further financial investments with shares of less than 20%. These are evaluated with market values, if available, or with the acquisition costs less allowances, if necessary.

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III.11 Other long term assets

Included positions are:

	2002	2001
Reinsurance pension obligations	1.395	1.140
Deposits	256	249
Loans issued	96	113
Others	193	248
Other long-term assets	1.940	1.750

IV. Illustration of Balance Sheet Liabilities

IV.1 Current bank liabilities

The average interest rate of the credit lines was 6.05%.

	2002	2001
Credit line	19.431	42.406
Utilization	3.531	29.522
Open credit line	15.900	12.884

IV.2 Lease obligations

Future Lease payments:

	Financial Lease	Operating Lease	...thereof Operating Lease with affiliated parties
Expenses 2001	—	2.255	1.292
Expenses 2002	—	3.183	2.140
... due in 2003	325	2.903	2.115
2004	184	2.300	1.761
2005	158	2.008	1.694
2006	148	1.823	1.681
2007	102	1.417	1.339
... later	178	7.860	7.856
Total	1.095	18.311	16.446
...thereof interest Liability	207	888	
... due short term	275		
... due long-term	613		

IV.3 Pension Liabilities

The Company has various insurance plans, which primarily insure against the risks of old age, death and disability. The plans differ according to the general legal, tax and economic conditions prevailing in the individual countries. As a rule, benefits are calculated on the basis of the salaries of the insured employees.

The pension liabilities are as follows:

	2002	2001
Domestic liabilities	3,520	3,474
... thereof short-term	223	239
foreign liabilities	783	572
... thereof short term	0	274
Total	3,803	4,046
... thereof short-term	223	513

German Plans

The pension commitments comprise entitlements to old age, disability and dependent survivors' pensions, funded on the one hand on the basis of annual salary and, on the other hand, as fixed covenants. Selected persons at executive level are covered under these plans. The relevant actuarial assumptions are set forth below:

	2002	2001
Discount factor	5,5%	6,0%
Salary increase	0,0%	0,0%
Pension increase	1,0%	1,5%

Life expectancy according to tables of Dr. Heubeck 1998

The following table connects the „funded status“ of the plans with the creditor recorded in the financial statements:

	2002	2001
Reconciliation of Projected Benefit Obligation		
Projected Benefit Obligation as of Jan 01	3,474	3,292
Service cost	3	2
Interest cost	200	206
Actuarial (gains) losses	110	241
Benefit payments	-267	-267
Projected Benefit Obligation as of Dec 31	3,520	3,474
Accumulated Benefit Obligation as of Dec 31	3,520	3,474
Reconciliation of unfunded status		
Projected Benefit Obligation as of Dec 31	3,520	3,474
Plan assets	0	0
Funded status	3,520	3,474
Unrecognized transition amount	-107	-142
Unrecognized prior service cost	-19	-23
Unrecognized net (gain) or loss	-73	36
	3,321	3,345
Additional minimum liability	199	129
... Thereof intangible assets	126	123
... thereof Other Comprehensive Income	73	6
Accrued pension liability	3,520	3,474
Determination of Net periodic pension cost		
Service cost	3	2
Interest cost	200	206
Amortization of transition amounts	36	36
Unrecognized prior service cost	1	6
Amortization of actuarial (gain) or loss	0	-3
Net periodic pension cost	240	247

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U.S.-Plans

The Group has a „Defined Contribution Plan“ which, as a rule includes all employees aged 21 and over and who work a minimum of 1,000 hours per year. The plan consists of two components: a profit-sharing plan and a 401 (k) Plan.

Each year, the Executive Board of the US-Company determines new contributions which flow into the profit-sharing scheme. All the contributions of the Company are held in a „trust fund“. Employees, who are entitled to claim, will obtain a vested right to claim benefits over a period of 6 years.

Under the 401 (k) Plan, the employer contribution is USD 0.50 for every USD 1.00 of the employee contribution up to a maximum employee contribution of USD 2,000 (i.e. the maximum employer contribution is USD 1,000). Employees will have a claim to the full employer contribution only after completion of the third year of employment. Prior to this, they will not be entitled to claim any employer contributions.

In fiscal year 2002, the expenses of the Group for the profit-sharing plan amounted to TUSD 0 (2001 TUSD 102) and for the 401 (k) Plan TUSD 196 (2001 TUSD 210).

IV.4 Long-term financial liabilities

In December 2002, bank loans of nominal TEUR 1.431 were collateralized by land charges. As security for bank loans of nominal TEUR 10.175, SUSS MicroTec AG pledged its shares in SUSS MicroTec Lithography GmbH, SUSS MicroTec S.A. and SUSS MicroTec Inc..

Bank loan status at the end of the year:

	2002	2001	Interest Rate	Maturity
Bank Loan I (EUR)	4.449	5.084	3,25%	2009
Bank Loan II (EUR)	4.474	5.113	3,75%	2009
Bank Loan III (EUR)	1.865	2.904	5,45%	2003
Bank Loan IV (EUR)	882	1.029	3,75%	2009
Bank Loan V (USD) in EUR	1.518	0	8,42%	2007
Bank Loan VI (USD) in EUR	467	0	8,42%	2007
Bank Loan VII (USD) in EUR	1.514	0	9,39%	2007
Other Loans < EUR 1 million	2.878	906		
Total	18.047	15.036		
... thereof due short-term	3.546	2.634		
... thereof due long-term	14.501	12.402		

... due in 2003	3.546
2004	3.388
2005	2.500
2006	2.563
2007	1.989
...later	4.061
	18.047

IV.5 Other current liabilities

Included are the following positions:

	2002	2001
Provisions for Income Taxes	1.625	6.200
Deposits received	3.409	6.866
Accrued personnel expenses	5.606	7.644
Bonuses and Commissions	4.169	2.448
Third party services	2.400	3.319
Turnover Tax	2.019	396
Warranty provisions	1.735	2.796
Deferred Income	593	410
Others	2.878	4.459
Other liabilities	24.432	34.538

Included in the accrued personnel expenses are restructuring costs of TEUR 2.102 (see VI.3).

The warranty provisions are recalculated every year on the basis of occurred warranty expenses of the period in relation to the recognized sales.

	Amount TEUR
Beginning Balance Jan 1, 2002	2.796
Additions	333
Disposals	1.394
Ending Balance Dec 31, 2002	1.735

IV.6 Other long-term liabilities

The other long-term liabilities are as follows:

	2002	2001
Liability to Suppliers	351	2.515
Loans from employees	103	113
Others	281	880
Total	735	3.508

IV.7 Equity

The registered share capital of SUSS MicroTec AG is EUR 15 million and is divided in 15 million shares with a nominal value of EUR 1.0 per share.

We refer to the development of shareholder's equity.

Each ordinary share entitles the holder to one vote. The ordinary shares are non-refundable and non-convertible. In accordance with the accounting principles under German commercial law, dividends can only be distributed from the distributable profit as reflected in the annual financial statements of SUSS MicroTec AG.

Pursuant to a resolution adopted on 17 May 2001, the Executive Board effected a capital increase of EUR 343,256 from the original authorized capital of EUR 6.5 million. The shares were issued in the context of the acquisition of Image Technologies. This capital increase was entered into the Commercial Register on 12 September 2001 and thus has legal effect. The Supervisory Board has consented to the capital increase.

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At January 16, 2002 a capital increase of nominal EUR 1.130.000 out of the authorized capital took place. Based on this, SUSS MicroTec received EUR 34.465.000 (gross) in cash.

At the General Shareholders' Meeting of 14 June 2002, the resolution was adopted to in-crease the authorized capital to 7,466,242 EUR. The conditional capital of 5,822,800 can be used for up to 5,000,000 EUR for issuance of convertible bonds and up to 500,000 EUR for the new option plan. The remaining 322,800 EUR are related to the old, closed option plan.

	2002	2001
Subscribed capital	14.957	13.802
authorized capital	7.466	5.698
conditional capital	5.823	800

Other comprehensive income (OCI)

Development of the OCI:

	2002	2001
Foreign currency conversions	-166	81
Minimum pension liabilities	-4	-3
OCI as of January 01	1/0	/8
Pre-tax changes		
Foreign currency conversions	-3.192	-247
Minimum pension liabilities	-67	-1
Tax effects		
Foreign currency conversions	0	0
Minimum pension liabilities	25	0
OCI as of December 31	-3.404	-170

Stock Option Plans

At the General Shareholders' Meeting on 6 April 1999, the resolution was adopted to increase the share capital by up to EUR 800,000 until 31 March 2004 by issuing up to a total of 800,000 shares for the granting of subscription rights to board and management members and other executive personnel of the Group's companies. The subscription price for the shares corresponds to the market value on the effective date of granting. The subscription rights can be exercised at 50% after a waiting period of 3 years and at 50% after a waiting period of 5 years. The subscription rights may not be exercised by the beneficiaries unless the market price of the SMT shares is at least 50% higher than the subscription price on exercising the stock options after 3 years, and at least 75% higher after 4 years and at least 100% higher after 5 years. The subscription rights lapse upon termination of employment within the waiting period or, as the case may be, 6 years following the end of the purchasing period.

At the General Shareholders' Meeting of 14 June 2002, the resolution was adopted to decrease the share capital down to EUR 350,000. The granting of options based on this old plan was reversed for the future.

Also at the General Shareholders' Meeting of 14 June 2002, the resolution was adopted to increase the share capital by up to EUR 500,000 until 31 December 2007 by issuing up to a total of 500,000 shares for the granting of subscription rights to board and management members and other executive personnel of the Group's companies. The subscription rights can be exercised at 100% after a waiting period of 2 years.

The options based on the new plan can be exercised when

- the group-EBITDA of the audited statements of the last year before execution of the rights compared to the group-EBITDA of the year before granting of the options is grown on an average of at least 10% per year and, in the same timeframe, the SUSS share has overperformed the NEMAX technology index or another index that has superseded this index
or
- the share price at the date of execution exceeds the subscription price by at least 0.833% per full calendar month (10% per year) between the end of the purchase period and the time of execution.

The subscription rights lapse upon termination of employment within the waiting period or, as the case may be, 3 years following the end of the purchasing period.

In the fiscal year under review, an amount of TEUR 1.430 (2001: TEUR 1.535) was allocated to the capital reserve in connection with the plan, thereby affecting the operating result.

In fiscal year 2001, 68,000 subscription rights with a subscription price of EUR 35.44 each, were granted in May. As of 31 December 2002, 322,800 subscription rights (previous year: 348,630 subscription rights) had been granted, all of which cannot yet be exercised (in 2002, no new options were granted):

The weighted average market value of EUR 19.45 of the stock options granted was estimated using the Black-Scholes Options Evaluation model. In doing so, the following assumptions were made:

	2002	2001	2000		1999
			May	December	
Expected average term	---	5 years	5 years	5 years	5 years
Risk-free interest rate	---	4,61%	3,30%	4,70%	3,30%
Expected volatility of Suss shares	---	57%	150%	76%	46%
Expected dividend yield	---	0%	0%	0%	0%

	Number	weighted average subscription price EUR
31.12.1998	0	
granted	136.000	13,00
exercised	0	
expired	9.600	13,00
31.12.1999	126.400	13,00
granted	157.662	28,64
exercised	0	
expired	0	
31.12.2000	284.062	21,68
granted	68.000	35,44
exercised	0	
expired	3.432	27,31
31.12.2001	348.630	24,31
granted	0	
exercised	24.400	13,00
expired	1.430	28,64
31.12.2002	322.800	25,14
exercised	24400	
negotiable	0	

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Development of Stock Options:

Subscription price level	Number of stock options	weighted average subscription price UIR	weighted average term of maturity months
under EUR 20,00	102.000	13,00	29
EUR 20,00 - EUR 24,99	—	—	—
EUR 25,00 - EUR 29,99	128.800	27,31	47
EUR 30,00 - EUR 35,99	68.000	35,44	53
EUR 36,00 and above	24.000	36,00	41
	322.800	25,14	42

Earnings per Share

As part of the stock option plan, the Company has granted subscription rights to shares. With respect to some of the stock options, the conditions for satisfying the exercise thereof had been fulfilled by the cut-off date. This gave rise to a dilution effect, which was taken into account in calculating the diluted earnings per share. None of the issued subscription rights (previous year: 225,662) were considered since they do not have a diluting impact. The following table illustrates the undiluted and diluted earnings per share:

	2002	2001
Numerator		
Net Income / loss	-8.938	21.079
Denominator		
Weighted average of issued shares		
undiluted	14.893.023	13.736.654
Dilution	0	68.198
diluted	14.893.023	13.804.852
Earnings per Share in EUR		
undiluted	-0,60	1,53
diluted	-0,60	1,53

V. Illustrations to the Income Statement

V.1 Other Income and Expenses

	2002	2001
Cancellation Fee Income	581	2.643
Reversal of accruals	1.461	895
Sale of Patents	0	624
Insurance Payments	14	134
Lease Income	81	47
Subsidies	400	568
Others	617	107
Other Income	3.154	5.018
Cancellation Fee Expense	32	1.000
Doubtful Accounts allowance	-236	478
Bad debts allowance	1.941	118
Asset disposal	289	65
Other taxes	64	59
Subsidy Repayments	0	209
Others	1.465	111
Other Expenses	3.555	2.040
Total	-401	2.978

The other subsidies relate, in particular, especially to research and development subsidies received by SUSS Dresden Test Systems GmbH.

V.2 Taxes

Tax expenses and deferred taxes are calculated as follows:

	2002	2001
German corporate tax	-2.089	3.946
German trade income tax	275	2.115
Foreign corporate tax	-6.053	11.995
Subtotal	-7.867	18.056
Utilization/Capitalization deferred taxes on loss carry-forwards	-365	-337
Others	0	161
Total	-8.232	17.880
... current Taxes	-1.721	18.056
German	660	6.061
Foreign	-5.384	11.995
... deferred Taxes	-3.508	-176
German	-2.475	-696
Foreign	-1.033	520

The following table shows the reconciliation account from the expected to the reported tax expenses for the respective year.

	2002	2001
Expected tax rate		
Corporate income tax rate	25,00%	25,00%
Solidarity surcharge	5,50%	5,50%
Trade income tax rate	14,90%	14,90%
Composite tax rate	37,34%	37,34%
Earnings before taxes	-17.170	38.959
Expected income taxes	-6.411	14.543
Different foreign tax rates	-1.166	1.526
Full valuation allowance on deferred taxes due to losses at MFI	0	678
Non tax deductible expenses for acquired in process research and development (IPR&D)	0	164
Non-tax deductible goodwill amortization in the group	0	1.305
Trade tax imputation credit of interests on long term loans	88	95
Devaluation of inter-group loan items	-574	-794
Other non-tax deductible expenses	12	719
Loss carry-forwards and loss carry-backs not capitalized but used	-674	-77
Valuation Allowance on Loss Carry Forwards	453	0
Others	-40	-282
Effective Taxes	-8.232	17.880

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Through the transfer of intangible assets from Canada to Germany, fully allowed deferred tax assets on Loss Carry-Forwards amounting TEUR 674 were utilized. The inter-group provision on loans would in case of a waiver not lead to income tax payments at the affiliate since in this case fully allowed deferred tax assets on Loss Carry-Forwards amounting TEUR 1.509 would be utilized. Deferred taxes are calculated as following:

	Assets		Liabilities	
	2002	2001	2002	2001
Bonus provisions	162	361	0	0
Pension accruals	1.269	1.170	0	0
Vacation provisions	258	288	0	0
Other accruals and provisions	645	1.606	0	0
Goodwill	5	244	0	0
SAI3 101 adjustments	0	354	0	0
Intercompany profit eliminations	3.060	1.942	0	0
Various amortization/depreciation	0	0	1.029	1.005
Others	306	784	0	0
Tax Loss carry-forwards (LCF)	5.656	1.974	0	0
/ Valuation allowance on LCF	-2.032	-1.974	0	0
Deferred taxes	9.329	6.749	1.029	1.006
Deferred taxes - net	8.300	5.744		
... thereof short term	3.405	5.387		
... thereof long-term	4.895	357		

V.3 Affiliated Parties

SUSS Grundstücksverwaltungsgesellschaft GbR and Hungar Mountains (formerly SUSS Real Estate)

Various Group companies (SUSS MicroTec Lithography GmbH, SUSS Dresden Test Systems GmbH, SUSS MicroTec Inc.) are leasing their office premises from SUSS Grundstücksverwaltungs GbR and Hungar Mountains. The resulting lease expenses based on the agreements are mentioned in IV.2.

	2002	2001
Rental income	1.766	1.292

The Süss Family

The members of the Süss family, as former partners and current shareholders of the Group, have various types of earnings, inter alia in the form of pension rights and lease payments. The following table sets forth the relevant relationships between the Group and the Süss family. The pension rights are reflected under IV.3 Pension Liabilities, german plans.

	2002	2001
Salaries, Pensions	274	267
Consulting	43	0
Total	317	267

CMS

Dr. Schücking, member of the Supervisory Board, is partner of the law advisor CMS. The SUSS Group receives law advisory from CMS.

	2002	2001
Consulting	138	92

V.3.1 Expenses to related parties in total

	2002	2001
Salaries, Pensions	274	267
Consulting	181	92
Rental income	1.786	1.292
Total	2.241	1.651

VI. Other disclosures

VI.1 Disclosure of various expenses

The SUSS Group's Income Statement includes the following personnel expenses broken down into the items set forth below:

	2002	2001
Salaries and wages	44.887	48.603
Social insurance contributions	8.413	10.678
Old age provisions	961	931
Total	54.261	60.212
Advertising Expenses	2.742	2.080
R&D Expenses	12.537	16.731

Direct material expenses in 2002 were TEUR 47.961.

VI.2 Contingencies

	2002	2001
Purchase commitments	2.150	3.829
Note liability	0	4.556
Repurchase guarantees	1.577	2.686
Others	166	0
Total	3.693	11.071

Due to purchase commitments we are obliged to receive third party services or goods in the future.

Within the repurchase commitments, in one case there is a higher risk that repurchase will take place. For this case, already a liability of USD 317,380 has already been recognized in the books.

The repurchase commitments normally are based on our own cost of sales: Normally, the initial repurchase price equals the manufacturing costs or not more than 60% of the original sales price. This repurchase price is reduced over time by 20% per year and typically the commitment expires after 3 years.

VI.3 Restructuring of Operations

During the year 2002, there was already an ongoing headcount reduction in progress which was not performed within a restructuring project. This reduction included for example terminations of new employees in the trial period and not replacing employees that left the group.

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In the fourth quarter, due to the market development a restructuring project had to be implemented. The project was committed and communicated to the employees. Within the project payments and expenses such as severance payments and absence compensation occurred. Information concerning the restructuring is outlined in the following table:

Employees	
Headcount Reduction performed in 2002	
Administration	8
Sales and Marketing	13
Operations	39
Research and Development	4
Total	62
Headcount Reduction performed in Q1/2003	
Administration	12
Sales and Marketing	14
Operations	72
Research and Development	14
Total	112
Headcount Reduction total	
Administration	18
Sales and Marketing	27
Operations	111
Research and Development	18
Total	174
Restructuring Costs	
paid in 2002	308
to be paid in 2003	2.102
Total	2.410

There was not any operation discontinued within the restructuring. Also, the headcount reduction did not force the company to make any special impairment on assets. The reason is that our activities are mainly assembly of parts which do not require significant technical and expensive equipment.

Development of the restructuring accruals:

	Amount TEUR
Beginning Balance Jan 1, 2002	0
Additions	2.410
Disposals	308
Ending Balance Dec. 31, 2002	2.102

The build ups of the accruals for the restructuring costs were allocated to the separate Income Statement lines respectively.

VI.4 Segment information

The Group is active only in the sale of technical products and service segments. The Group develops, produces and sells products in the area of micro-systems technology and micro-electronics. The main customers are the automobile sector and the semiconductor industry. In this respect the products delivered are used in similar ways in both industries.

In fiscal year 2002 and 2001, no customer contributed more than 10% to the Group's sales.

	2002	2001
External Sales - Products		
Germany	55.462	55.583
USA	41.648	99.816
France	11.719	13.707
Japan	10.125	29.232
Rest of World	1.556	5.016
Total	120.510	203.354
External Sales - Service		
Germany	2.516	2.444
USA	2.155	8.007
France	741	529
Japan	1.099	0
Rest of World	494	435
Total	7.005	11.415
Long-term assets		
Germany	21.460	18.628
USA	8.085	11.795
France	2.798	2.705
Japan	2.475	1.459
Rest of World	956	112
Consolidation	-2.689	-1.778
Total	33.105	32.931

VI.5 Executive Board and Supervisory Board

Executive Board of the group's ultimate parent company

In fiscal year 2002, the members of the Executive Board were:

Dr. Franz Richter, Dipl.-Ing, Eichenau (Chairman)
 Claus Lichtenberg, Dipl.-Ing, Munich (until October 31, 2002)
 Stephan Schulak, Dipl.-Betriebswirt FH, Rohrbach (deputy member)

	fix	variable
Salaries and Bonuses in EUR	612.387	21.984

Furthermore, due to the options issued in 1999, 2000 and 2001 to executives, 1.015 TEUR were charged at the Holding to expenses. There was not any payment to the executives related to that.

Supervisory Board

In fiscal year 2002, the members of the Supervisory Board were:

Dr. Winfried Süß, Munich, Chairman
 Further assignment: ISiT, Itzehoe, (Curator)

Thomas Schlytter-Henrichsen, Kronberg/Taunus, CEO, Deputy Chairman

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING 31 DECEMBER 2002**

Dr. Christoph Schücking, Frankfurt/Main, Attorney at Law

Further assignments: Lambda Physik AG, Göttingen (Member of the Supervisory Board)
Bankhaus B. Metzler seel. Sohn & Co. KgaA., Frankfurt a. M. (Member of Shareholder Committee)
Freudenberg & Co., Weinheim (Member of Shareholder Committee)
Kennametal Europe Holding GmbH, Fürth i. B. (Member of the Supervisory Board)
Kennametal Hertel Europe Holding GmbH, Fürth i. B. (Member of the Supervisory Board)

Prof. Dr. Anton Heuberger, Munich, Professor at TU CAU Kiel

Further assignments: West Steag Partners AG, Essen (Member Advisory Council)
IZET, Itzehoe (Member Advisory Council)
Institut f. Oberflächenmodifizierung e. V., Leipzig, (Curator)
MicroParts Gesellschaft für Mikrostrukturtechnik mbH, Karlsruhe (Member of the Supervisory Board)
Sensor Dynamics, Graz, Austria (Member of Supervisory Board)
Solid Energy, Itzehoe (Member Advisory Council)

Dr. Thomas Sesselmann, Tittmoning, CEO

Further assignments: ETEL S.A., Motiers, Switzerland (President of Advisory Board)
Heidenhain Holding Inc., Wilmington, DE., USA (President and Member Board of Directors)
Heidenhain Holding K.K., Tokyo, Japan (Member Board of Directors)
Renco Endocoders Inc. Goleta, CA, USA (Member Board of Directors)
ACU-RITE Inc., Jamestown, NY, USA (Member Board of Directors)

Horst Görtz, Neu-Anspach, Businessman

Further assignments: AC Service AG, Stuttgart (Chairman Supervisory Board)
Ultimaco Safeware AG, Oberursel (Chairman Supervisory Board)
GITS AG, Bochum (Chairman Supervisory Board)

In the year under review, the remuneration of the members of the Supervisory Board totalled EUR 42,182.

Shares and options of the executive bodies per 31. December 2002

	Shares	Options
Dr. Franz Richter	400.000	65.000
Stephan Schulak	0	286
Dr. Winfried Süß	1.039.780	0
Thomas Schlytter-Henrichsen	6.909	0
Dr. Christoph Schucking	500	0
Prof. Dr. Anton Heuberger	0	0
Dr. Thomas Sesselmann	0	0
Horst Görtz	3.894	0

VI.6 Employees

In 2002, on average the SUSS group had 941 (2001: 955) staff members.

Year End numbers:

	2002	2001
Administration	136	119
Sales and Marketing	262	240
Operations	480	596
Total	878	965

Due to the restructuring, the number of employees of 878 (thereof 30 apprentices) will be subject to further reduction by 112 employees during the first quarter 2003.

The companies consolidated at equity had 19 (2001: 19) staff members.

VI.7 Corporate Governance

The Executive Board and the Supervisory Board of SUSS MicroTec AG disclosed in December 2002 the required declaration following §161 AktG in combination with §15 EGAktG continuously on the webpage of the group (www.suss.de).

VI.8 Disclosures following German Share Exchange Law (WpHG)

Dr. Suss, Germany, has informed the company on February 13, 2002, that he owns per February 12, 2002 6.36% (equals 950.000 shares) of the shares of SUSS MicroTec AG, Garching. We would like to point out that this information is related to the capital increase that took place in January 2003. Dr. Suss owned after the capital increase the same amount of shares as before.

M&G Limited, London, United Kingdom, has informed the company on February 2, 2002, that due to a capital increase they own per January 18, 2002 4.61% (equals 689.056 shares) of the shares of SUSS MicroTec AG, Garching and felt therefore short of the 5% barrier.

The Guardian Trust Company, Los Angeles, USA, has informed the company on April 21, 2002, that they own per April 1, 2002 6.49% (equals 968.700 shares) of the shares of SUSS MicroTec AG, Garching.

The company Nobel S.A., Paris, France, has informed the company on January 22, 2003, that they own per January 15, 2003 5.08% (equals 760.000 shares) of the shares of SUSS MicroTec AG, Garching.

Garching, 20 March 2003
The Executive Board


Dr. Franz Richter


Stephan Schulak

| **INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report

We have audited the accompanying consolidated balance sheet of SUSS MicroTec AG and subsidiaries as of December 31, 2002, and the related consolidated statement of income, statement of changes in equity and cash flows as well as notes for the years then ended. These consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles are the responsibility of company's Board of Managing Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respect, the net assets and financial position of Süss MicroTec AG as of December 31, 2002, and of its result of operations and its cash flow for the year then ended in conformity with United States Generally Accepted Accounting Principles.

Our audit, which also extends to the group management report prepared by the Board of Managing Directors, which is combined with the management report of the single financial statements of Süss MicroTec AG, for the business year from January 1, 2002 to December 31, 2002, has not led to any reservations. In our opinion, on the whole the combined group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the combined group management report for the business year from January 1, 2002 to December 31, 2002, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the combined group management report in accordance with German accounting law.

Munic, 21. March 2003

PRICEWATERHOUSECOOPERS

GmbH
Wirtschaftsprüfungsgesellschaft

(Reitmeier) (ppa. Eichler)
Wirtschaftsprüfer Wirtschaftsprüfer



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