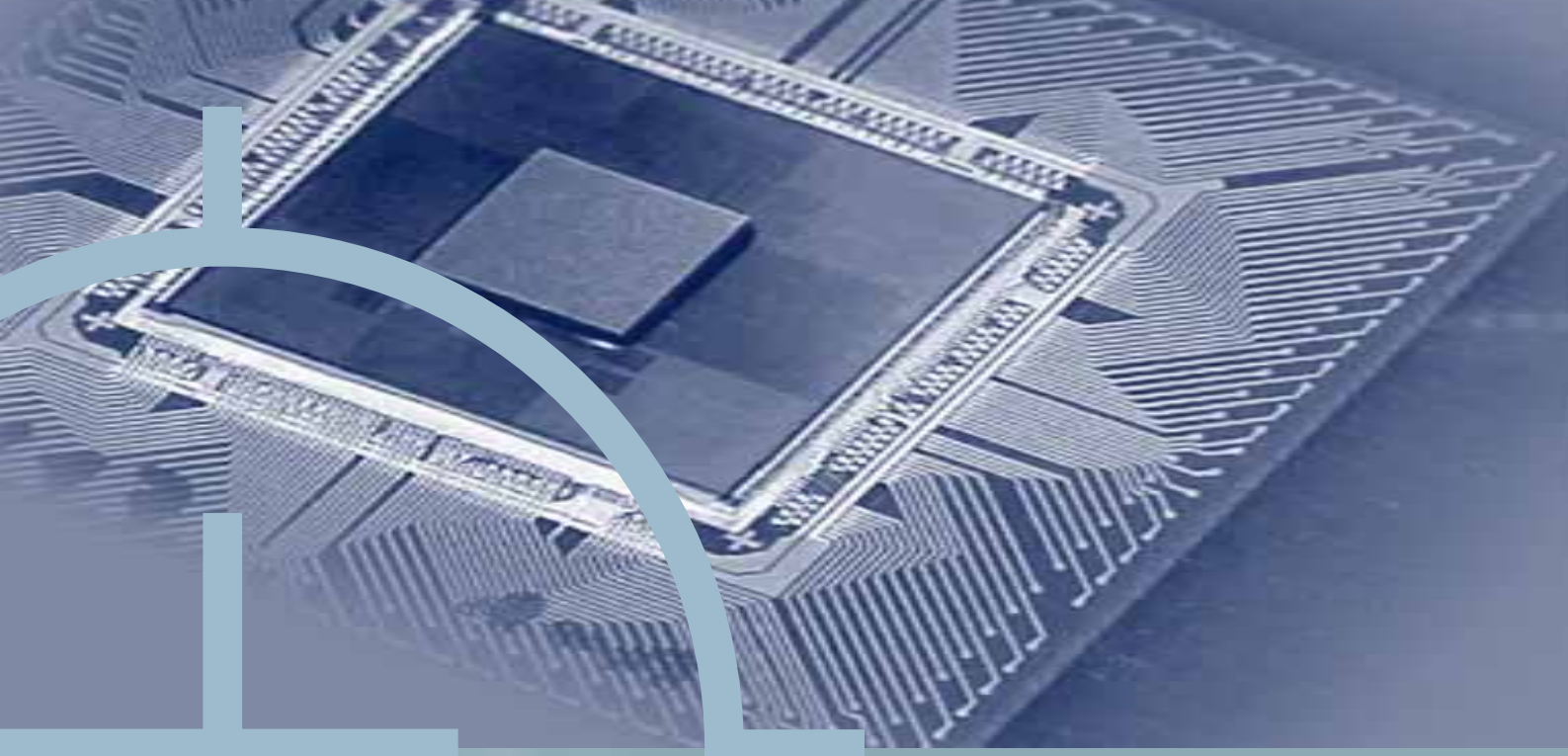


ANNUAL REPORT 2003

SÜSS MicroTec AG

KEY FIGURES 2002 AND 2003 AT A GLANCE

Million Euro	2002	2003
Net incoming order	104,5	101,0
Net backlog	32,4	33,9
Net sales	127,5	92,6
Equity	118,5	102,4
Equity ratio	68%	64%
Net cash	13,4	23,6
Free Cash Flow	-0,1	4,5
Gross profit after reclassification	47,9	36,4
Gross margin	37,6%	39,4%
EBITDA	-9,4	-11,0
EBITDA margin	-7,4%	-11,9%
EAT (Earnings after tax)	-8,9	-14,6
EPS (Earnings per share)	-0,60	-0,97
Employees	878	716

CONTENTS

EDITORIAL

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

The semiconductor crisis, in the meantime often cited, left its mark noticeable in 2002 and, unfortunately, also in 2003. Although we were originally not optimistic about the first half of 2003, we expected – without being euphoric – at least a slight revival in business in the second half of the year. Ultimately, however, the second half of 2003 was also a disappointment, with the fourth quarter in particular failing to fulfill our expectations.

This is also reflected in the 2003 figures, which were again down to our results in 2002. Sales declined by another 27%, from EUR 127.5 million to EUR 92.6 million, while the US dollar's decline against the EURO could not have come at a more inconvenient time for us. Consequently, our EBIT declined by EUR 0,7 million to EUR –17.1 million, with the decrease in sales causing that our earnings in the end failed to reflect the restructuring measures carried out in 2002 as well as the further layoff of staff in spring 2003.

Against the background of our earnings expectations in 2003, we put our main attention on the cash flow, an area in which we have attained our declared goal of at least a balanced free cash flow (operating cash flow less investments). We believe that in such phases in our industry, guaranteeing and safeguarding our company's financial stability is of immense significance. This was also the reason why we issued the convertible and warrant-linked bond in November 2003, to provide sufficient financial resources for the upcoming revival in business.

Past trends show that results in the semiconductor industry always follow a roller-coaster course – it probably has a more pronounced cycle than any other industry – and there are no signs that this is going to change. Most upturns are preceded by an initial financing phase in which the necessary products are manufactured. Here we are perceiving a change in customer behaviour. While expansion investment in the past was triggered by capacity utilization levels of around 85%, this limit has now risen to well over 90%. In this way customers are shortening lead times, thus presenting the suppliers – including SUSS MicroTec – with another challenge in that the investment risk is more and more passed on to us. Only close contact with the customer makes a realistic estimation of the situation and good forward planning in production possible. Our goal is to solve this problem in such a way that on one hand, we do not have to bear the risk of excessive capital commitment that primary production involves, and on the other hand we can still offer customers acceptable lead times.

The forecasts made by our customers, leading research institutions, analysts and the specialized press are giving reason to expectations that the sustained recovery, which the semiconductor industry's suppliers are

almost longing for, will finally occur in the current fiscal year 2004. The figures announced by our customers also confirm that business is reviving, and some manufacturers of backend equipment are already feeling this trend.

The overall business situation and the quality of these positive forecasts are giving us grounds to assume that we will also benefit from this upturn.

In the extremely difficult market environment over the past two years we have not “stuck our head in the sand”; instead, we have used this period to carry out intensive research and development work. Our goal was to use our research into new technologies to fulfill our industry’s extremely demanding roadmaps as far as possible over the coming years and, consequently, further improve our products’ technological position. In 2003, we brought two significant new technologies to market

- "SupraYield": the first full-field exposure that can expose structures smaller than 1 micron lithographically. In launching this technology we have closed the primary technological gap between our Mask Aligners and the competitor Stepper” (see page 12);

and

- "nanoPREP": an innovation that makes it possible to bond wafers directly at low temperatures without having to use complex vacuum procedures, and with which we are successfully serving the growing bonder market (see page 15).

These two new technologies have their finger on the pulse of the times: mobile technical devices such as laptops, handsets and organizers are inexorably becoming smaller and more powerful; the demands on technical aids such as printers and sensors for every possible function are getting greater all the time; new flat-screen technologies are opening up high potential in the field of home entertainment. All of these trends require new production techniques, as they exceed the capacities of the current solutions.

“SupraYield” and “nanoPREP” are meeting these requirements. The technologies are the direct result of our close cooperation with our customers and show that the application-based approach that we have pursued for years is the right one. If customer demand is to be absorbed fully, the technical challenges set by those customers must be accepted and adopted. That is why, over the past few years, we have accumulated extensive practical expertise on the various relevant production processes. Process developments and advancements carried out jointly with customers lead – given positive development results – to a very high acceptance level for the production equipment used, which in turn usually makes order negotiations easier.

To be able to deliver good application support to our customers, comprehensive information about the relevant technology and training in the various steps

are indispensable. The first major project involving training of this kind was SECAP (Semiconductor Equipment Consortium for Advanced Packaging), which developed from presentations about our technologies to customers, particularly in Asia. Today, SECAP is almost an institution, and many of our customers know that SECAP can help them to make considerable improvements in their understanding of processes and therefore their ability to further optimize their production results. Since April 2003, for example, the Taiwanese company Unitive has been operating a complete 300mm bumping line for advanced packaging, which is being used intensively by other potential customers as a demonstration or testing line.

Spurred on by this success, we established another consortium in spring 2003. MEMUNITY is the first test forum for microsystems technology, a SUSS MicroTec market in which we see high growth potential. Within this consortium, one partner develops adapted testing procedures for specific microsystems, which in many cases makes it possible to produce these systems far more economically. On receipt of an order, SUSS MicroTec provides specially modified testing devices that are then integrated into the customer's production along with the development result.

In this respect, "customer integration" is a key term that we actually "live". The traditional relationship between suppliers and customers no longer exists, having been replaced by the emergence of long-term partnerships that develop almost independently of ongoing business operations. Nurturing and intensifying these relationships requires not inconsiderable resources from our side. At first glance, it seems incomprehensible that we are reporting relatively high development and sales costs for 2003 – in the medium term, however, a cost saving strategy geared towards short-term successes would have a negative impact on these partnerships and, consequently, our entire business operations. We are convinced that our approach of being at the disposal of customers as a competent and reliable partner in difficult times will ultimately – in the truest sense of the word – pay off.

Given this strategy and the general situation at present – market conditions, technologies, competition and risks – we expect the volume of our orders received to grow by around 20% in 2004.

On the following pages we provide detailed descriptions of the new technologies, our products and our markets.

Finally, we would like to thank our shareholders for the trust in the company SUSS MicroTec and in its management over the past years. We are aware that while the SUSS MicroTec share price offered profit potential, it also contained the potential for large-scale

losses. We know that many shareholders have been through this downturn with us, and we appreciate it.

Garching, March 2004

Dr. Franz Richter
Chief Executive Officer

Stephan Schulak
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board was kept informed regularly, promptly and comprehensively in fiscal 2003 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 five 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.

As of April 1, 2003, the Supervisory Board appointed Mr. Stephan Schulak as a full member of the Management Board.

The Personnel Committee of the Supervisory Board, of which Dr. Süss is Chairman and Mr. Schlytter-Henrichsen and Mr. Görtz are members, held one meeting 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.

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. In two meetings during the fiscal year, this committee dealt with issues relating to the following areas:

- awarding the audit assignment,
- independence of the auditor,
- instruction of the auditor,
- measures to adjust to decreasing volume of business,
- financing of the SUSS MicroTec Group,
- issuance of a convertible bond.

It also made the preparations for the full Supervisory Board's decisions on these issues and gave notification of the results of its discussions.

At its meeting on November 24, 2003, the Supervisory Board examined the efficiency of its own activities.

The annual financial statements to December 31, 2003 drawn up in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements to December 31, 2003 drawn up in accordance with US-GAAP, and the Executive Board's management report and group management report for the business year 2003 were audited by the

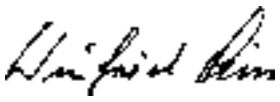
auditors elected by the General Meeting and appointed by the Supervisory Board, PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft mit beschränkter Haftung, Munich, and received an unqualified audit certificate.

Following preparation by the audit committee, 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 2003, 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 2003.

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 exceptionable in the Supervisory Board's view. The annual financial statements of the Company for 31 December 2003 are thereby approved. The Supervisory Board consents to the Management Report for fiscal year 2003.

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 SUSS MicroTec Group in the difficult business year 2003, which required a high level of commitment and the ability to adapt to a much changed economic environment.

Garching, March 2004
The Supervisory Board



Dr. Winfried Süss
Chairman

1. HIGHLIGHTS 2003

New Technologies for Top Final Products

In fiscal 2003, SUSS MicroTec developed two worldwide unparalleled technologies: “SupraYield” and “nanoPREP” which created new technological standards for manufacturing processes in the semiconductor production field. Their deployment makes production of our modern information technologies simpler, more effective and considerably more economical. “SupraYield” and “nanoPREP” are used in a variety of standard processes in chip production: “SupraYield” in photolithography – the exposure of tiny structures on the wafer – and “nanoPREP” in the bonding process for two or more wafers.

Both of these new developments can be integrated into existing SUSS MicroTec product lines and will help to improve the company’s market position vis-à-vis competitor products. Both technologies benefit customers by enabling them to reduce their production costs (cost of ownership). In launching “SupraYield“ and “nanoPREP“ successfully, SUSS MicroTec has further strengthened its position as a cost leader in the relevant market niches and increased its competitive advantage.

You will find detailed information regarding “SupraYield” and “nanoPREP” in Chapter 2 (New Technologies) on page 12. The following chapter (Chapter 3: Equipment to Satisfy the Highest Standards) provides information on SUSS MicroTec products and additional new product developments.

“Mini-Worlds” with Major Partners

Today, further research and development in the field of Microsystems technology is being carried out step-by-step. This “mini-world“ is diverse and there are still many areas of deployment that have to be tested before they can provide us with innovative benefits. Therefore, in 2003, SUSS MicroTec founded MEMUNITY – the first testing forum for microsystems technology. MEMUNITY (which stands for “The MEMS Test Community“) enables microsystem manufacturers to develop and try out application-specific testing procedures for different microsystems for the first time. MEMUNITY advises and supports manufacturers and cooperates with them to intensify research on this future market. The focus is on developing testing procedures before and during the production of microsystems. This is a crucial advantage, because faulty microsystems can now be rejected at an early stage of production: subsequent production stages are therefore superfluous and productions costs for these systems – which are already faulty – are saved as a result. Ongoing testing at different stages of production leads to a substantial reduction in costs, giving the SUSS MicroTec customer a crucial competitive advantage.

SUSS MicroTec founded MEMUNITY in cooperation with the Danish testing organization DELTA. Polytec, the German manufacturer of laser measuring systems, is

another partner. Having achieved extremely positive results with the SECAP Consortium for Advanced Packaging, SUSS MicroTec is also pursuing this successful strategy with MEMUNITY regarding microsystems technology, second primary market.

Detailed information about MEMUNITY and SECAP can be found on page 27 (Chapter 4).

First-Class Service Means Satisfied Customers

Optimum service is SUSS MicroTec's highest priority. Especially in the area of highly specialized technology, customers must be able to rely on our practical expertise 24 hours a day. Survey results prove that SUSS MicroTec's customer service and support were again at the top of the class in 2003. In the annual customer satisfaction survey – conducted by the renowned market research organization VLSI-Research, who specialize in the semiconductor industry – SUSS MicroTec occupied high top-ten positions in four categories. We have emulated our outstanding result from the previous year and, for the tenth consecutive year we can see that SUSS MicroTec customers are among the most satisfied in the semiconductor industry.

In its survey on the "10 Best Annual Customer Satisfaction Survey on Chip Making Equipment Suppliers", VLSI Research sent approximately 43,000 questionnaires to decisionmakers at semiconductor companies all over the world. The assessment of the individual suppliers in approximately ten categories is seen as representative of customer-supplier relationships in the semiconductor industry.

Further information about the results can be found under www.vlsi-research.com).

Share Returns to Blue Chip Index

SUSS MicroTec AG has been listed in the TecDAX since September 2003, making it one of the 30 largest technology companies in the Frankfurt Stock Exchange's Prime Standard segment. SUSS MicroTec advanced to this important select index on the strength of the continuous rise in its share price. The investors' trust that had been lost in 2002 was regained, resulting in a gratifyingly positive trend in the share price.

Further details about the company's investor relations can be found on page 30 (Chapter 5).

2. NEW TECHNOLOGIES

Technologies for Our Future

About 20 years ago, the ”high-tech“ parts of our everyday were things like the telephone, TV set and cassette player. It was all big and bulky, with seemingly endless wires and cables but hardly any functions. Today, the simple technologies of those days have developed into finely tuned, highly complex systems. We use them every day, but hardly notice them any more. Being able to use the computer, the electronic notebook or handset is something we take for granted and do almost automatically. In fact, the journey to further technological realms is showing no signs of stopping. Everything is becoming smaller, more efficient, more versatile – and less visible. Microsystems and new bonding technologies for chips are already making an intelligent, networked environment possible. Whether in the medical world or in the fields of environmental technology, in the car or simply at home, we use technical innovations to make our lives simpler in many ways. The question as to how that can all happen so quickly leads to the next question: What potential does the future hold for further developments? This question takes us directly into another technological field: “technology behind the technology” – SUSS MicroTec’s multi-layered, high-technology area of expertise.

And we find future potential in the markets served by SUSS MicroTec. The main focus is on SUSS MicroTec’s two primary markets: advanced packaging – the ground-breaking bonding technology for every chip generation – and microsystems technology, the processing of “micro-worlds” for the smallest technical applications. Only if production processes are optimized on these markets can we benefit from new “intelligent” technologies.

In fiscal 2003, SUSS MicroTec launched new technologies on the market – advanced packaging and microsystems technology – and clearly reduced production costs as a result. Customer interest in the new technologies is great. Several leading companies in the semiconductor industry are already taking advantage of the benefits of “SupraYield” or “nanoPREP”.

Below we provide detailed explanations of the SUSS MicroTec innovations and their significance for the markets. In addition, Chapter 3 (Product lines) describes the SUSS MicroTec equipment in which the innovations are deployed.

“SupraYield” – More Microchips, Falling Costs

The interplay between man and machine has taken a turn. Things that were “hard work” until only recently are now high-tech fun. Take computers as an example: There was a time when we were glad when simple orders could be carried out. Today, however, even simple devices perform complex controlling tasks in our everyday lives. This transformation is the result of

extensive technological development work. In the field of information technology, the advanced packaging procedure is what makes advanced products possible. Innovative bonding technology for semiconductor modules significantly increases the connection density of the chips, and makes smaller and smaller electronic equipment possible with increasing functionality and performance.

Before this new bonding technology finds its way into the final products, it is manufactured in a process that involves numerous production stages. This is precisely where the new “SupraYield” technology from SUSS MicroTec comes into play. The name is the objective: yield is one of the key parameters in semiconductor production. It measures the output of the functioning microchips in relation to the total number of microchips on a wafer. The higher the yield, or output, the cheaper and more effective the chip production for the customers. The goal of “SupraYield” technology is therefore maximum output from high-performance chips. For this reason, it supports one of the most important production stages within the framework of the advanced packaging procedure – wafer bumping.

MASKS FOR BETTER STRUCTURES

In the wafer bumping process, small soldered spheres are placed on each individual connecting contact point for the subsequent electrical connection of the microchips. There is a huge number of spheres that are microscopic in size; approximately half a million spheres with a diameter of approximately 50 microns or 50 thousandths of a millimeter are placed on one 300mm wafer. A production process involving microsystems technology is used for this difficult task. With the help of photolithography, small forms are created on every connecting contact point and then filled with soldering material (i.e. tin-lead). After the forming material has been removed, the small soldered spheres remain in place on the microchips’ connecting contact points.

An examination of wafer bumping illustrates the significance of the new “SupraYield” application for this stage of production. Wafer bumping is one of the last production stages in semiconductor manufacturing and occurs at the beginning of the backend process. At this stage the wafer already has a considerable value; every error in microchip production results in an explosion in production costs, since the error also cancels out all of the previous production stages. At the first stage of wafer bumping, the wafer receives the forms for metal application (bump mold). For this purpose, the wafer is covered with the “forming material”, a photosensitive layer of film (photoresist), which can then be structured using photolithography.

In the lithography process, the photoresist is exposed with ultraviolet light through a partly transparent photomask. In this way the mask image is reproduced in the photoresist and brings about a photochemical change in the photoresist layer in the transparent areas. In the

next development stage, these photochemically altered areas are removed from the photoresist layer, consequently creating the small forms.

A variety of exposure units can be used for photolithograpy. Over the past few years, SUSS MicroTec mask aligners have proved to be the most cost-effective devices for this stage of the process because the structure sizes of wafer bumping are ideally suited to lithography with mask aligners. In order to keep pace with the trend towards ever-smaller structure sizes and thus ensure that SUSS MicroTec mask aligners remain the most cost-effective production machines for this application, "SupraYield" was developed. With the help of "SupraYield", mask aligners can also produce smaller structures than before with the customary high yield.

The size of the structures that mask aligners replicate depends on the distance between the mask and the wafer during exposure. The smaller the distance selected, the smaller the structures that can be reproduced. The practical limit for production applications has proved to be around five microns. This limit arises when the distance is so small that areas of unevenness can lead to contact between the mask and the wafer. This leads to defects when parts of the photoresist stick to the mask and are torn from the wafer when the mask and wafer are separated again after exposure.

With "SupraYield" technology, the mask is now covered with a very thin protective layer of teflon-like material. This protective layer alters the surface properties so that photoresist can no longer stick to the mask surface. Contact is no longer concerning and exposures can now take place even if contact between mask and wafer is extensive. This exposure mode permits structure sizes in the sub-micron area right down to 0.5 – 0.6 microns.

"SupraYield" offers SUSS MicroTec customers crucial competitive advantages because the results of complex and therefore expensive projection lithography are attained with the less costly mask aligners:

- a structure resolution of down to 0.5 microns instead of approximately 5 microns with other mask aligners,
- a substantially higher yield than other mask aligners,
- considerably higher throughput compared with projection lithography systems such as steppers, due to the exposure of the wafer surface in a single stage (wafer total field exposure)
- cost savings of up to 60% for photolithography compared with steppers.

As a new photolithographic technology, "SupraYield" is the driver for further cost reductions in production of more highly integrated microchips. With "SupraYield", the Garching-based company also fulfills the semiconductor industry's current and even future requirements for the further miniaturization of structures on the wafer. Even the industry's most ambitious future roadmap targets are already achievable with the "SupraYield" technology.

SUSS MicroTec's "SupraYield" sets itself apart from the competition by greatly expanding the application field for mask aligner lithography toward smaller structures. In addition to the important advanced packaging market, "SupraYield" is deployed in microsystems technology and in the compound semiconductors field – especially for products that are manufactured in large quantities. Using "SupraYield", microchip manufacturers and manufacturers of electronic devices reduce their production costs. For us, as consumers, "SupraYield" means that our dream mobile phone, our ideal digital camera or the coveted handheld computers will now become cheaper with the same or even higher performance.

"nanoPREP" – Simple Connections for Complex Microsystems

It begins within our "own four walls", where refined microsystems do their job, in your CD player, for example, or printer or other household appliances. In the smallest spaces they guarantee the highly diverse functions, extreme efficiency and maximum reliability of our technical products. For that reason, innovative microsystems can already be found in the widest variety of segments and industries. In motor vehicles, for example, they make collision sensors and anti-breaking systems possible, in the medical field pulse and oxygen sensors, and they are currently revolutionizing the home entertainment field with tilting mirror displays for projectors and TV applications with large screens. These days, technical developments that demand maximum functionality and "finesse" in the smallest spaces are inconceivable without microsystems. As a result, demand for the high-performance "micro-worlds" is increasing from year to year – in both the consumer and industrial fields. Demand is focused on microsystems that master ever more complex tasks and occupy less and less space in doing so.

One of the key technologies in the production of microsystems is the bonding of microsystem-related components, known as wafer bonding. An examination of the technology in practice makes clear: mechanical components for the complex microtechnical applications are constructed in such a way that they generally consist of different levels. The production of these component levels takes place on a silicon wafer. The individual levels are then combined to form a functioning microsystem (bonded). Depending on the component, the microsystem can consist of two, three or even more levels. To keep production costs as low as possible, up to several hundred microsystems – depending on component size – are produced simultaneously. The individual components are also bonded, provided that the components are still on the silicon wafer in the compound. Only then is the bonded wafer packet split up into individual components.

As with packaging, the bonding of the individual component levels, i.e. wafer bonding, takes place at the end of the production chain. All production stages in

the creation of individual levels have been completed and the wafers already have a considerable production value. The final stages, like the bonding of the individual levels, should therefore proceed safely and quickly with the greatest precision. In this way, the functions of the microsystems are not impaired, the previous worksteps are maintained and production costs are kept as low as possible.

TEMPERATURES WITHOUT RISK

Over the past few years, various procedures have been developed as bonding methods. The ideal procedure is probably “direct silicon bonding“, also referred to as “direct wafer bonding“, in which the crystalline wafer surfaces are bonded with each other: individual silicon atoms from the crystal lattices of the two wafers bond with each other to form molecules. In principle, this is a type of adhesion without adhesive. The bonding procedure requires high temperatures of up to 1500 degrees Celsius. A heat level of only 400 degrees Celsius, however, can considerably impair the stability of the microchips and can damage the wafer making it unusable. As a result, the direct bonding of silicon wafers was a problematic production stage in microsystems technology for a long time. The goal of MEMS manufacturers is therefore to get “direct wafer bonding“ working properly at substantially lower temperatures. Although technically suitable procedures were developed, the specific preparation stages that are required for the pretreatment of silicon wafers are highly complex, costly, and cannot be deployed universally.

With “nanoPREP”, the surfaces of the wafers are subjected to special plasma treatment during preparation. In the process, molecule groups – which function as bonding elements – are taken up on the wafer surface and interfering molecules are removed from the surface. The molecular properties of the surface change in such a way that they promote the atomic bonding of silicon wafers. The wafers are positioned towards each other with precision and “snap” together as a result of the attracting forces of the surface atoms (Van der Waals forces). The wafers are then “baked” at a temperature of between 200 and 300°C, which brings about the atomic bonding of the wafer boundary surfaces. These atomic bonds are mechanically highly stable and can be used as vacuum-tight, insoluble bonds between the individual components of the microsystem.

In “nanoPREP”, SUSS MicroTec has developed a procedure of its own for the plasma activation of wafer surfaces. Within this procedure, “nanoPREP” constitutes a special preparation of surfaces in the nanometer area as a preparatory stage of wafer bonding. This procedure differs from other plasma activation procedures because it functions under atmospheric environmental pressure. This means that there is no need to use cost-intensive vacuum

equipment during production, which in turn has a highly positive effect on production process times.

“nanoPREP” optimizes “direct wafer bonding” in a significant way:

- the components for MEMS applications are not altered or impaired,
- the wafer bondings are extremely stable and resistant; they withstand extreme environmental conditions – such as high thermal pressure, vibrations or corrosion – without any problems,
- the investment and production costs for MEMS manufacturers are reduced substantially,
- the throughput during “direct wafer bonding“ in the production process increases thanks to the avoidance of time-consuming vacuum processes.

In this way, “nanoPREP” does justice to the growing significance of MEMS applications – and lays the foundation for the commercially sensible use of more and more complex microsystems technologies.

SUSS MicroTec developed “nanoPREP” in cooperation with the Max-Planck-Institut and the Fraunhofer Institut IST. A patent on the new technology has already been applied for. In this way, SUSS MicroTec is ensuring its crucial competitive advantage with “nanoPREP” on the MEMS market, while simultaneously opening up further markets of the future. For example, “nanoPREP” can be deployed in the structuring of new material combinations such as the bonding of silicon with silicon germanium. The bonding of these materials with only slightly different lattice constants stretches the atomic lattice of the silicon and brings about a change in the material properties. The “strained silicon” created in this way is a fast semiconductor material with extremely high electron mobility which is used particularly in the construction of extremely fast microchips. It will trigger another substantial increase in the efficiency of future computer generations.

3. PRODUCT LINES

Equipment to Satisfy the Highest Standards

The “road” to our desired technical product is a long one. For weeks on end, machines and processed materials labor away in the most costly and time-consuming processes –ultimately to deliver us our mobile phone, our DVD player or our safe and comfortable car. Only the precision of each and every workstep ensures the efficiency of our final products – and only innovations in the “world of machines” bring about technological innovations for us. Having gained an insight into the technology, then, we will now focus on SUSS MicroTec’s products.

The SUSS MicroTec machines cover a variety of processes in the technical production process. The devices used in particular processes are brought together in the following product lines:

- Spin Coaters coat the wafers with a photo-sensitive layer of film;
- Mask Aligners align the mask in relation to the wafer and expose the wafer through the mask (wallslope replication through photolithography),
- Developers develop the exposed film on the wafer,
- Bonders assemble either individual components with great precision in wafer format (substrate bonders) or mount the individual components on appropriate carriers after the wafers are severed (device bonders), and
- Probers conduct analytical tests of components on a wafer.

SUSS MicroTec products are characterized by their extremely high quality and outstanding economy – referred to in the semiconductor industry as the “cost of ownership” (CoO). This assesses not only acquisition and operating costs, but also costs of the clean room space utilized, wear and tear, and maintenance of the machines. These costs are then calculated in relation to the proportion of functioning components at the end of the production process. The higher the output of perfect chips, the better the “cost of ownership” of the machines for the customers. An outstanding CoO is greatly significant, especially in mass production.

With their quite exceptional precision, reliability and economy, SUSS MicroTec’s products are global leaders – and are installed on the premises of all renowned manufacturers and service providers in the semiconductor industry. Altogether, several thousand machines from SUSS MicroTec are now deployed around the world. Traditionally, the practical expertise of SUSS MicroTec is most in demand in Asia (especially Japan, Taiwan and South Korea), North America and Europe.

Below we describe the SUSS MicroTec product lines. We focus mainly on the functions and development of the machines and their fields of deployment on the various SUSS MicroTec markets.

Mask Aligners – Pioneers in the Field of Photolithography

40 years ago, SUSS MicroTec began its product development with the Mask Aligner – and is still making product history with it today. Around the world, some 4,000 mask aligner systems from SUSS MicroTec are installed on the premises of every renowned manufacturer of semiconductor components such as microchips or microsystems technology components. The SUSS market share is an extremely dominant one; more than 80% of the world's mask aligners are supplied by SUSS MicroTec. Their high level of acceptance shows the success of our development work: the mask aligner combines top technical quality, comparatively low acquisition costs and high productivity – the most important criteria for its daily work. Mask aligners carry out photolithography processes in particular market niches of semiconductor manufacturing. They are deployed after the wafer surface has been coated evenly with a photosensitive layer of film. In the exposure process that follows, the photoresist is exposed with ultra-violet light through a partly transparent photomask. In this way, the mask aligner transfers the tiny structures provided on the photomask onto the wafer in the image ratio of 1:1. The transferring structures on the mask are between 0.5 and more than 50 microns in size (to illustrate, a human hair has a diameter of around 30 - 50 microns). Mask aligners by SUSS MicroTec carry out exposure of the entire wafer surface in a single step. This facilitates a throughput up to three times higher than that achieved by competitive procedures, which expose the wafer section by section in steps.

Mask aligners are deployed in the most important SUSS MicroTec markets: advanced packaging, microsystems technology and compound semiconductors. In the advanced packaging field in particular, they are among the devices that are preferred worldwide – depending on their technical equipment, they reduce costs in this area by up to 60% compared with competitors' devices.

The Mask Aligner product line now encompasses a total of six versions ranging from simple to complex – which work manually, semi-automatically and fully automatically. In the research field and on markets whose product volumes are still low – such as microsystems technology – manual or semi-automatic equipment is most in demand.

Microsystems technology is now a strongly diversified field of application with at times highly diverse demands on the production equipment. Therefore, in some cases, use is made of highly specialized machines that are founded quite fundamentally on the machine basis of mask aligners. The nanostructures, for example, are reproduced not by the photomask but by an advanced imprinting procedure (nanoimprinting). The advanced packaging market with high throughput rates, on the other hand, uses fully automatic mask aligners.

In addition to the exposure, SUSS MicroTec integrates other process stages into its mask aligner. These complex system solutions – for example the “LithoPack 300“ – then also combine the two frontend and bakkend processes of coating and developing the photosensitive layer. The customer benefits from a production process that is even faster and more effective, while simultaneously reducing costs.

MILESTONES WITH NEW EXPOSURE GENERATION

In 2003, SUSS MicroTec again did pioneering work for its most important product group. In “SupraYield”, SUSS MicroTec developed a new technology for mask aligners that offers customers significant competitive advantages and optimizes their chip production: a structural resolution of down to 0.5 microns (the previous standard was approximately 5 microns) at very high transfer quality, further cost reductions for the exposure process and a substantially higher yield at the end of the chip production process (a detailed description of the new “SupraYield” technology can be found in Chapter 2, page 12).

Last year an individual technological “lifting” was given to one of the longest-established SUSS MicroTec mask aligners – the mask alignment and exposure device MJB3.This small manual lithography machine, developed in 1969, is still one of the leaders in its product line with more than 2,000 systems installed. This device, once the biggest-selling SUSS MicroTec mask aligner, has been the standard device at universities and research institutions for more than three decades in the field of lithography research and development for up to 3-inch wafers. Today, however, technical progress is being made increasingly on 4-inch wafers. Which is why SUSS MicroTec, on the basis of the legendary MJB3, is developing a new device, the MJB4, which is equipped with the latest control and operation technology and can naturally process wafer formats up to four inches in size. Together with its “large” successors, this machine concept will continue to put down milestones in lithography development and provide SUSS MicroTec customers with maximum reliability, precision and quality.

Spin Coaters – Coating with a Flourish

Spin coaters are the devices that coat the wafers during the semiconductor production process. They apply the photosensitive layer of film to the wafer, in preparation for the photolithography stage that immediately follows. The name “spin” describes the standard coating method: In the middle of the wafer, the liquid photoresist is applied and spread evenly over the whole wafer by means of fast rotation – “spun” over the wafer, so to speak. The film must be spread extremely evenly in this process. Only then can the further production stages be carried out successfully. SUSS MicroTec spin coaters guarantee an extremely even distribution of the film at layer thicknesses up to

300 microns. The SUSS MicroTec spin coaters' patented and unique GYRSET procedure increases this precision further and in most cases reduces the consumption of photoresist quite considerably.

GYRSET (derived from the term "rotation") is a special "closed" coating procedure: after the film has been applied to the wafer, it is covered with a lid that forms a small space above the wafer which rotates with the spinning wafer. In this closed, rotating process chamber, the photoresist is then distributed evenly over the wafer. Air turbulence is reduced effectively in the closed GYRSET chamber; the atmosphere is filled rapidly with solvent vapor. As a result of this, the film dries more slowly and the photoresist remains free flowing for longer. This fact, in turn, makes it possible to reduce the rotation speed, grant more time to the flow procedure and, as a result, spin off less photoresist from the wafer. GYRSET guarantees maximum efficiency with a reduction of up to 60% in film consumption – an important point, since certain films are extremely expensive.

SUSS MicroTec has been enjoying success with the Spin Coater product line for around ten years now – the global market share in the production application market areas served by SUSS MicroTec is around 40%. This extensive product line stretches from the smallest manual table instrument to the compact, fully automatic spin coater system. With their great precision, especially with thick layers, SUSS MicroTec spin coaters are preferred for deployment on the advanced packaging and microsystems technology markets.

In fiscal 2003, SUSS MicroTec conducted research into a new coating process: the "spray" method. In contrast to the standard method, this involves the coater spraying the film onto the wafer with a nozzle. In this way, even three-dimensional structures and sharp structure edges are coated with a layer of film. SUSS MicroTec will continue to refine the spray coating technology in the future – thus further advancing the development of new coater generations. The first patents have already been applied for and the first products already sold.

DEVELOPERS – SPECIAL IMAGES OF STRUCTURES

The "developer" by SUSS MicroTec has almost become an established part of the spin coater. This standard equipment for semiconductor production is usually integrated at the customers' request as a module into the spin coater or alternatively into the "LithoPack300" (consisting of spin coater, mask aligner and developer). Following the coating and the subsequent photolithography by the mask aligner, the development process ensues immediately without unnecessary delay. SUSS MicroTec developers support processes of all kinds in this area. Every film type requires its own specific development procedure. In the development process, the developer "etches" either the non-exposed areas of the film from the wafer or –

conversely – removes the exposed areas by dissolution. SUSS MicroTec developers are geared towards "seamless" integration into spin coater and mask aligner procedures – their development process is an established "fixture" in semiconductor production.

Bonders – Bonds for Life

When a wafer makes it to the SUSS MicroTec bonders during the production of semiconductors or microsystems, it has already been through a host of production stages – the bonder's tasks lie in the backend of production:

- Bonding of two or more wafers in physical-chemical procedures
- Bonding of the finished semiconductor components with an appropriate carrier.

These different processes are "shared" by the device bonder and the substrate bonder. Together, these two are highly successful. About 300 SUSS MicroTec bonders are installed around the world, making the Garching-based company the number one internationally. In the last fiscal year in particular, SUSS MicroTec sharply increased its bonder sales, with demand for substrate bonders especially high.

The task of *substrate bonders* is always the same: creating a permanent bond between two or more wafers. The lifelong "coupling" of thousands of tiny electronic components on the wafers requires maximum precision, however – before, during and after bonding. In all of these bonding stages, SUSS MicroTec substrate bonders are characterized by great efficiency and extremely high reliability. The final result for the customers: wafer bondings with a miniscule defect ratio and therefore highly efficient production.

SUSS MicroTec has been developing and producing its latest product line Substrate Bonders for approximately six years. The decision to produce substrate bonders was made because of the increasing significance of microsystems technologies (MEMS) and the central role of substrate bonders in MEMS production processes. As a result, SUSS MicroTec could give consistent guidance to the growth market of microsystems technologies from the equipment side and encourage the market's technological development. In addition to their primary market of microsystems technologies, substrate bonders are also deployed in the SUSS MicroTec markets of advanced packaging and compound semiconductors. Manual or fully automatic devices are used on all of the markets. The basis in each case is a bonder station that, depending on the task in hand, is equipped with additional modules. In this way, the highly flexible substrate bonder solutions can be integrated individually into process lines of all kinds and can be adapted to the changing production environments at any time. In the process, they support all of the commonly used bonding procedures.

NEW FLEXIBILITY BRINGS DISCERNIBLE ADVANTAGES

In fiscal 2003, SUSS MicroTec optimized and extended its Substrate Bonder product line. New elements are the automatic bonder cluster – or "ABC200" for short – and the substrate bonder "SB6e".

The new bonder station ABC200 can be configured in any way for applications of all kinds on the diverse bonder markets – for example with a "nanoPREP", laser bonding or aligning module. In the process, the fully automatic "ABC200" can carry out a host of bonding procedures simultaneously – at the same quality as with a single bonding.

The new, considerably smaller and manual "offspring" in the Substrate Bonder product family SB6e was developed by SUSS MicroTec for deployment in universities, research institutions and for companies with pilot productions. The "SB6e" is also showing itself to be highly flexible. Companies that subsequently expand their production capacities can transfer the processes developed on the "SB6e" into automatic substrate bonders. In 2003 the new products were joined by "nanoPREP", a technological development without parallel in the world – the decisive improvement in the bonding process by means of lower temperatures – that we have already described in detail in Chapter 2, page 12.

Device bonders are deployed after semiconductor production has been concluded. With great precision

Bonds without frontiers

SUSS MicroTec substrate bonders bond wafers with each other. With the new automatic bonder "ABC200", this functions as follows: even before actual bonding, the aligning module arranges the clean and smooth wafer surfaces in relation to each other with extreme precision in the "ABC 200". This demands maximum precision, even before bonding. In the subsequent bonding process, the "ABC 200" bonds two or more wafers with each other, for example by applying temperature, power or pressure. This bonding tool, which is extremely stable and fitted out with appropriate devices, prevents the wafers from "slipping", for example under the impact of pressure or heat. The effects of this would be disastrous: the wafer loses its high production value and most of the time and expense in the chip production is wasted.

The precision and efficiency of the "ABC 200" even make it possible for several bonding process in different chambers to take place at the same time – so that here too, every possible "error" is prevented. For the customer, more parallel process steps in one machine mean higher throughput than individual machines, fewer administrative steps, leading to greater process safety and therefore lower production costs. That is why in addition to high alignability and flexibility, the unique "cost of ownership" of the new bonder generation is a further discernible advantage over manual individual devices.

and aligning accuracy, they bond the components that were already produced and removed from the wafer compound with the final product. The new SUSS MicroTec device bonder "Triad", developed in 2003, is regarded as the most precise device bonder in the world for production. It is constructed specially for the deployment of larger production volumes in optoelectronics technology – e.g. for the production of light-emitting diodes and microchips for telecommunication.

Probers – Machines for Intelligent Analyses

Probers are what makes "final products with guarantee" possible. Probers consitute SUSS MicroTec's testing equipment from. They monitor the behavior of the components on a chip in research, development, and production. Probers investigate the question of why, for example, a chip is not functioning – and to find the answer they analyze the microchips down to the last detail.

SUSS MicroTec unites the probers in its test and measurement market. They are the only devices produced by the Garching-based company that are analytical rather than production equipment; they can therefore be deployed universally in a broad range of technological areas. For more than 30 years, SUSS MicroTec has been developing machines for highly specific analyses, the goals being maximum quality for 100% accuracy of measuring results and a modular structure for extreme flexibility. That is why there are now more than 1,000 accessories – including unique probes, measuring cables, microscopes or socalled electromagnetically protected environments – for the manual, semi-automatic and fully automatic Probers product line. Each device is custom-designed and, if necessary, can be adapted at any time. SUSS MicroTec probers are used for chip characterization, fault analysis and reliability and function tests. Important fields of analysis are high-frequency engineering – with chips and sensors for telecommunications, radars and satellites – as well as microsystems technology, optoelectronics technology (LEDs) and the general semiconductor market.

By the end of 2003, 2,000 of SUSS MicroTec's intelligent analysis devices had been sold around the world. The Garching-based company's strongest market is traditionally Europe. Here, SUSS MicroTec leads the field with a market share of more than 50%. Its global market share is 20% and rising – in 2003, SUSS MicroTec developed a host of testing innovations for which there is already great demand.

INDIVIDUAL TESTS WITH NEW SENSITIVITY

The world's first prober for vacuum tests has been on the market since the spring of 2003. Thanks to this manual or automatic analysis device (PMV or PAV for Prober Manual or Automatic Vacuum), electrical and non-electrical tests at wafer level can be carried out

and analyzed in the vacuum for the first time. The new probers are deployed in the high-frequency field and especially in microsystems technology where it tests, for example, infrared sensors or micro-bolometers. These are extremely sensitive; their reliability can be examined only in an absolutely neutral, undisturbed and as a rule “ice-cold” environment – in other words in a vacuum at or near zero temperature. For even the most minute temperature fluctuation influences infrared sensors, as a glance at their everyday work shows: Nowadays, if you hear a “beep“ during the security check at the airport, it is possible that infrared sensors produced on SUSS MicroTec machines are at play. In this area they master a quite specific and relatively new type of security task: the search for human viral infections and diseases such as SARS. For that purpose passengers are scanned with infrared sensors that trigger an alarm when the temperature diverges from the normal body temperature. Only in this way can it be checked quickly whether a feverish viral infection has been found.

A further innovation for microsystems technology is the first prober for pressure tests (PAP200). For example, the semi-automatic prober PAP200 analyzes sensors at pressure levels up to 50 bar – the equivalent of water pressure at a depth of 500 meters. This means that for the first time, pressure sensors can be tested for deployment in car, truck or aircraft tires. The new prober is also equipped for testing gas sensors and can influence the air moisture in the prober itself.

Stars you can touch

It is possible that soon, the video projector, or beamer, will be replacing our TV set. Instead of switching on the screen, we will simply project our favorite stars onto a wall or, by means of rear projection, a screen measuring a square meter or more. The prerequisite of the private home cinema is that the quality of the beamer projection matches that of the cinema image. This demands maximum technical performance and extreme reliability from the projector. Countless minute and movable mirrors in a projection display within the projector must then project hundreds of pixels with absolute precision onto the wall using projected light; every single pixel must be exactly right. The functioning of the micro-mirrors can only be guaranteed by tests in a vacuum – in other words only by the SUSS MicroTec prober. It occupies a unique position on the market. Beamer mirrors, after all, react with great sensitivity to external influences. Even the slightest hint of air stops their movements and makes them lose control of the pixels.

To conduct the necessary test, SUSS MicroTec prober is additionally fitted with a device for movement analysis. It then examines the micro-mirrors as follows: with an electrical signal it sets the mirror in the vacuum in motion and illustrates its movements in 3D format – i.e. visible from all sides. After that the test analysis is carried out by the prober. Only this special test rules out subsequent error sources in the projector and ensures that we have “stars you can touch”.

I 3. PRODUCT LINES

SUSS MicroTec is optimizing calibration software (SussCal 5.1) especially for the high-frequency field. Using a new procedure, measurements in the high-frequency field can now be conducted with an efficiency and quality higher than ever before – as is confirmed by current investigations by independent research institutions. The calibration facilitates the prior isolation of interference factors such as cable bends or bad connections in the measuring environment, so that the highly accurate analytical test of chips in high-frequency engineering can then be conducted. Without calibration the interference factors would be calculated as part of the measurement, making it unreliable.

The prober innovations in 2003 are rounded off by an important new development for the general semiconductor market. The "MicroAlign" testing procedure sets a new standard for chip characterization: For the first time, the reliability of new and future tiny chip generations can be tested at wafer level – and thus by chips that are smaller than 40x40 microns.

The range of new, unique probers demonstrates the effective research and development work and the innovation potential of SUSS MicroTec in this segment. Each of these newly developed procedures is geared towards the specific demands of the individual testing markets. With these new developments, SUSS MicroTec has strengthened its Prober product line with lasting effect – and has become the first company to occupy new high-growth testing niches at the same time. In the current year as well, SUSS MicroTec will enhance its testing systems' flexible deployment possibilities and extend its presence into new niche markets.

4. STRONG PARTNERSHIPS

SECAP – Progress for Advanced Packaging

SUSS MicroTec is pressing ahead intensively with research and development on its major markets – both individually and with a network of strong partners. The advantage of strong partnerships for SUSS MicroTec is that technological know-how is pooled, exchanged, enhanced, optimized and, if possible, standardized worldwide. SUSS MicroTec has proved how successful this is in practice for some four years with the Semiconductor Equipment Consortium for Advanced Packaging – or SECAP for short. In addition to SUSS MicroTec, the members of SECAP include global leaders in the supply of advanced packaging technology: BTU, Image Technology, Matrix Integrated Systems, NEXX Systems, Semitool and the Fraunhofer Institut für Zuverlässigkeit und Mikrointegration (IZM).

SECAP advises and supports chip manufacturers in the launching of innovative advanced packaging technology – for example in the area of process equipment for the 300mm wafer, with which the advanced packaging procedure is carried out. SECAP set the first milestone in this area in 2003: The consortium installed a complete 300mm advanced packaging production line for the first time. This breakthrough was made possible by a joint project with Unitive Inc., USA, one of the world's leading developers and suppliers of advanced packaging solutions. Unitive is regarded internationally as the front-runner and shining example in the installation and usage of new technologies.

Since April 2003, the production line has been installed at the Unitive subsidiary USTC (Unitive Semiconductor Taiwan Corp.) in Taiwan; it began operating in July. USTC used the SECAP line to launch the 300mm technology. The launch was a hugh success: USTC seamlessly converted its technology to the 300mm area in record time and began with advanced packaging production. The production line is also available to other potential SECAP customers apart from Unitive at certain times for tests and evaluation.

The highly promising commencement of operations by the new SECAP line is another milestone. It shows that the intensive and effective cooperation within the SECAP consortium is accelerating the launching of innovative technologies. At the same time, it underlines the pioneering role that SECAP plays in the field of advanced pakkaging – and will continue to play in the future.

Information about current SECAP developments can be found at www.secap.org and the SUSS MicroTec website.

MEMUNITY – Tests for the Future

In the spring of 2003, SUSS MicroTec implemented a new landmark initiative: the establishment of MEMUNITY – the world's first testing forum for microsystems technology (MEMS). The forum MEMUNITY – which stands for "The MEMS Test Community" – advises and supports microsystems producers in the launching and installation of testing processes and cooperates with them to conduct research

into new testing procedures for microsystems. The primary goal of these activities is to develop individual testing procedures before and during microsystems production. This is an absolute novelty in global terms, since previously the operability and efficiency of microsystems could not be tested until the manufacturing process had been completed. In this way, MEMUNITY offers crucial advantages for the microsystems sector. Early tests

- show whether the specific MEMS development is already ripe for production,
- make it possible to reject non-functioning microsystems before the subsequent, expensive production process and ascertain the fault source,
- can optimize microsystems for production and greatly increase the yield for the manufacturer.

These benefits yield: microsystems manufacturers can reduce their costs by up to 80% by installing suitable testing procedures. MEMUNITY helps them to develop these testing procedures. Each individual MEMUNITY testing procedure is tailored to the individual needs of the manufacturer, as the following example illustrates: A Scandinavian company develops special microphones that, among other things, are deployed in hearing aids. This microphone reduces the size of the hearing aid so much that it is barely visible. Until now, however, neither a testing procedure nor a corresponding standard testing device was available for such a special microphone. MEMUNITY, in cooperation with the company, developed a specific solution. The result: a two-sided testing device. This means that the microphone can be exposed to sonic waves beneath the testing equipment; the electrical signals are then forwarded to the surface of the prober, where they are registered and analyzed. With the help of this individual testing solution, the “new” hearing aid can now be simulated without any problems.

This testing device is not the only innovation that MEMUNITY has already launched on the market. A testing system in a pressure chamber now makes it possible to carry out tests in air pressure environments up to 50 bars. These conditions are necessary for testing pressure sensors that are deployed in aircraft and truck tires. Another new system analyzes movements in micro-mirrors that are integrated into projectors (see also the description on page 25).

SUSS MicroTec established MEMUNITY in cooperation with the Danish testing organization DELTA. Another partner is Polytec, a German manufacturer of laser measuring systems (since October 2003). In all these testing solutions that have been developed, it is the customer who decides from one case to the next whether he or she would like to buy ”his or her” specific testing solution or whether to have the chips tested at DELTA. Just a few months after its foundation, the response to MEMUNITY has been extraordinary: More than 50 interested parties are already working together with the world’s first MEMS Test Forum – an internatio-

nal mix of MEMS and equipment manufacturers, universities and research institutions. The demand shows that in the microsystems sector, there is great demand for the optimization of the development and production process of the ground-breaking “mini-systems”.
In the testing field, MEMUNITY is creating new standards for this “young“ technology, which ultimately improve and advance the development and production of microsystems technology with decisive effect.

Information about current SECAP developments can be found at www.secap.org and the SUSS MicroTec website.

5. INVESTOR RELATIONS

Share on the Rise

The company's share made a new start in the stock market year 2003: With the restructuring of the German stock exchange by Deutsche Börse (the German stock market authority) completed, SUSS MicroTec's shares have been traded in the Prime Standard stock market segment since January 1, 2003. In this segment SUSS MicroTec is subject to the same strict obligations that investors still remember from the former Neuer Markt. These include international transparency standards such as quarterly reports, analysts' conferences and ad-hoc reports in German and English.

Since March 2003, the stock market structure has been supplemented by a new index concept. Since then, the important select index for SUSS MicroTec has been the TecDAX. It encompasses the 30 largest technology companies in the quality segment Prime Standard and is reassessed twice annually by Deutsche Börse. The criteria for admission to the TecDAX are stock market sales over the past twelve months and the free-float market capitalization at the time of investigation.

SUSS MicroTec's major stock market goal in 2003 was admission to the TecDAX – and it achieved that goal. SUSS MicroTec has been listed in this blue chip index since September 22. The prerequisite for listing was a sharp improvement in its share price. Following a poor year in 2002 and a weak start to last year, the SUSS MicroTec share recovered gradually from its low of EUR 1.25 in the spring of 2003. In November the share again moved into double-digit territory. In an almost parallel development, SUSS MicroTec pulled well ahead from the general TecDAX.

During these difficult and troubling times, the company put more effort than ever before into intensive investor relations work. At international roadshows, investors' and telephone conferences, and in individual discussions with (potential) investors and press representatives, the management of SUSS MicroTec AG showed the capital market the highest possible level of corporate transparency and informed it about the current situation at the company. This continuous information policy was rewarded by the shareholders and also by the guiding banks and investment companies – SUSS MicroTec AG is currently the object of more than ten domestic and international "coverages".

A significant factor in the sustained rise in the share price has surely been the stabilization of the semiconductor market. All in all, basic sentiment in the semiconductor industry in 2003 as a whole was more positive – and the first new investments were made in SUSS MicroTec equipment. The successful research into and development of globally unique and groundbreaking technologies also aroused a great deal of interest among investors.

CONVERTIBLE BOND WITH WARRANTS BROADENS CAPITAL BASIS

In November, SUSS MicroTec AG issued a convertible bond and bond with warrants, excluding subscription rights, from authorized capital with a total volume of EUR 11.64 million to a UK/US investors' group. The management decided to implement this capital-raising measure in order to strengthen the company's equity basis and thus create a more flexible scope for financing, e.g. to finance the expected growth in the current fiscal year.

At EUR 11.269 million, most of the volume is accounted for by the convertible bond. Convertible bonds can be understood as a kind of fixed-interest loan from a stock corporation (interest in this case being 6% per annum). During the two-year or five-year term, the investor can convert the bond into shares. The price for the SUSS MicroTec share was fixed in advance at EUR 10.063075. When the holders of these bonds exercise their conversion right, they swap the bonds for shares and become shareholders – the repayment of the loan is then cancelled accordingly. If the holder keeps his bond, on the other hand, he receives his invested capital plus accrued interest at the end of the term (October 31, 2005 and April 30, 2006).

The bond with warrants, also bearing interest of 6%, accounted for EUR 373,270. Subject to subscription rights to shares, it is repayable after five years (October 31, 2008). The bond with warrants is linked to 373,270 subscription rights, with each right entitling the holder to one SUSS MicroTec share. The subscription price, at EUR 10.566229 per share, is around 5% higher than the conversion price. It can be paid by submitting a bond from the bond with warrants issue, plus a cash payment of EUR 9.5662 per share.

SUSS MicroTec AG
NOTES

CORPORATE GOVERNANCE 2003

The central idea of Corporate Governance is transparency. The Management and Supervisory Boards of SÜSS MicroTec AG attach great importance to this responsiblity for the shareholders and comprehensible management. Which is why compliance with the standards laid down by the German Corporate Governance Code is a major concern of ours. As early as 2002, we appointed a Corporate Governance officer who reports directly to the Management Board and the Supervisory Board.

The current Declaration of Compliance, which is based on the Corporate Governance Code as amended on May 21, 2003, was approved at the Management and Supervisory Board Meeting in September 2003 and then immediately made accessible on our website.

The Corporate Governance Code currently contains more than 70 recommendations for which a company, under Article 161, German Corporation Law (AktG), must issue an annual declaration detailing any deviations from the Code. SÜSS MicroTec AG complies with the recommendations contained in the prevailing Corporate Governance Code and will probably continue to comply with them in the future – with the following two exceptions:

In Item 3.8, the Corporate Governance Code recommends that an appropriate deductible be agreed for the executive bodies of the stock corporation (AG) whenever a directors and officers liability insurance policy is concluded. For several years now, SÜSS MicroTec AG has had D&O insurance without any deductibles for specific executive bodies. SÜSS MicroTec does not believe that the agreement of an appropriate deductible would provide any additional encouragement to responsibility of action on the part of the executive bodies. For that reason, there are also no plans to agree on any deductibles for specific executive bodies in the future.

In Item 5.4.5, the Corporate Governance Code recommends fixed remuneration that takes account of, among other things, chairmanship of committees and performancerelated remuneration for Supervisory Board members. The remuneration of Supervisory Board members is determined in the articles of incorporation. The articles of incorporation of SÜSS MicroTec AG currently provide for fixed remuneration for the Supervisory Board, with chairmanship of committees not receiving any further consideration.

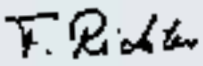
In contrast to the previous year, SÜSS MicroTec is not declaring any deviations with regard to Items 6.5 and 7.2.1, since the company will naturally disclose information with relevance to the capital markets abroad as soon as this provision affects us (Item 6.5) and disclosed such information in 2003 when the auditor's declaration of independence was submitted in good time (Item 7.2.1).

In addition to the recommendations, the Corporate Governance Code also contains many suggestions from which companies may deviate without having to provide an explanation. Since we believe that our shareholders should be guaranteed the greatest possible transparency, we describe our implementation of, and our four deviations from, the aforementioned suggestions below (suggestions with which we complied are marked with a plus sign, while the deviations are marked with a minus sign):

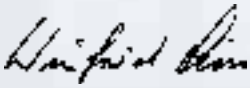
+ The proxy can be reached during the Shareholders' Meeting.
- The Shareholders' Meeting cannot yet be followed over the Internet. In view of the additional costs that could result from the use of this technology, we are currently refraining from taking steps of this kind.
- Supervisory Board meetings are not prepared separately, since the Supervisory Board is not constituted on a codetermination basis.
+ The Supervisory Board meets without the Management Board if necessary.
+ An extraordinary shareholders' meeting will be called in the event of a takeover bid.
+ An opinion is given on the Code's suggestions.
+ The Management Board receives one-off and annually recurring variable remuneration components.
+ The remuneration of the Management Board contains variable components that are linked to commercial success,
+ as well as variable components with long-term incentive effects
+ and variable components with risk elements.
+ A Supervisory Board committee for Management Board personnel matters has been established.
+ It is intended that the appointment periods for first-time appointments to the Management Board should be shorter.
+ The Chairman of the Supervisory Board does not chair the Audit Committee.
+ No former member of the Management Board chairs the Audit Committee.
+ The Supervisory Board forwards other specialized topics to one or more committees to be dealt with.
+ The Supervisory Board has assigned the preparation of some meetings and decisions to committees.
- The appointment periods for Supervisory Board members have not been made more flexible.
- The Supervisory Board receives fixed remuneration, instead of remuneration components that are linked to the long-term success of the company. The Supervisory Board does not regard performance-related remuneration as necessary for the proper and independent conduct of its supervisory activities.
+ The company's publications are issued in English.

Next year, the Supervisory Board and Management Board of SÜSS MicroTec AG will again submit a declaration of compliance in accordance with the prevailing version of the Code.

Garching, December 2003



For the Management Board
Dr. Franz Richter



For the Supervisory Board
Dr. Winfried Süss

Group Management Report and Management Report

The Enterprise Group

The SUSS MicroTec Group manufactures and sells production equipment and test systems for the microelectronics and microsystems industry. As a supplier of system solutions for semiconductor technology, the Group is a high-performance partner for the semiconductor industry in the R&D and production fields. High-growth market niches are the focal point of its business activities and encourage the innovative development of technologies offering long-term potential for tomorrow's markets and applications. The main emphasis is on microchip architecture and connection technology for applications in chip manufacture, telecommunications and optical data transmission. Larger process lines generally consist of a number of individual devices, where the Group forms and uses networks together with internal and external partners – for example within the framework of SECAP – to create competitive advantages.

Locations of the Group	
Germany	Asslar, Dresden, Munich, Vaihingen
USA	Waterbury VT, Palo Alto CA
China	Shanghai
France	St. Jeoire
GB	Wokingham
Japan	Yokohama
Taiwan	Hsin Chu

Forward-Looking Statements

All statements in this Management Report other than those that describe historical facts are forward-looking statements as defined by the US Private Securities Litigation Reform Act, 1995. Words such as "believe", "expect", "intend", "anticipate", "estimate", "should", "may", "can", "will" and "plan" and other similar terms used in relation to the enterprise are intended to indicate such forward-looking statements. 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 2003

Sales, having already declined substantially in 2002 (-41%), suffered another sharp drop, from EUR 127.5 million to EUR 92.6 million (-27%), in 2003. This was largely due to a continuing reluctance to invest from our customers. Another contributory factor, however, was the trend on the currency markets; year-on-year, the euro rose sharply against the US dollar. The average exchange rate used in the income statement showed a 21% appreciation of the euro against the US dollar. For that reason, reference is also made to currency-adjusted figures in the Management Report to demonstrate exchange rate effects and their impact on our operating activities.

Sales decreased in all regions in 2003, mainly due to the poor general economic situation worldwide. Order entry, adjusted for exchange rates, has stabilized; it has remained between EUR 21 and 30 million for ten quarters now.

The low level of demand for production equipment, our key sales contributor, also remained unchanged in 2003. Both order entry and sales related primarily to manual devices with considerably 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. One pleasing sign is the positive development of our new products, particularly in the fields of SupraYield technology for mask aligners and the new Substrate Bonders, in particular the socalled Bond Clusters with plasma activation for production applications.

In the first six months of 2003 there was no substantial change in the market environment. The situation we described in the 2002 annual report, i.e.

- no signs of recovery from our major customers and
- no positive momentum with regard to the general economic situation,

remained unchanged. For that reason, we had to extend our restructuring measures again in the first quarter of 2003. First, we relocated the Singen site to Vaihingen, and second we reduced the workforce at our Dresden site. The individual sites are now leaner in structure. In terms of staff numbers, numbers are comparable with those of 1999.

In the second half of 2003, however, we received initial indications that a recovery was likely to happen in 2004.

These signs emerged from our customer base and also from the general economic trend:

- For aproximately the last two quarters, microchip manufacturers have been reporting improved results. This is an essential requirement if the equipment and machinery. The volume of chips produced reached a new alltime high in 2003. This is not reflected in the chip manufacturers' sales figures because the attainable average prices are well below those of 2000 and 2001.
- Capacity utilization levels at the manufacturers and foundries are already over 90% in some cases; research institutions are currently issuing warnings about massive capacity constraints. Our assumption is that after recovery of the average prices, capacity increases – also by integrating new technologies – can be implemented.

With respect of the general economic situation, the trend in the US was a positive indicator of a global economic revival. However, it must be pointed out that the exchange rate policy factor in 2004, in particular, involves special risks in this regard. The dual deficit in the US, comprising the state deficit and the balance of trade deficit, constitutes a substantial risk for the recovery of the global economy. If the influx of capital into the US does not increase, persistent and strong downward pressure on the US dollar could lead to a discernible slowdown in the recovery, especially in Europe, and even bring it to a standstill.

Strategic Positioning

In 2003 we again improved our market position with respect to both technological and cost leadership as well as market share. Building on the measures that were initiated in 2002, the activities were expanded in 2003. While 2002 was still focused mainly on advanced packaging, with the launch of the 300mm device generation, in 2003 we also achieved progress in our other target markets of gaining acceptance of our technologies. Summary of the most important action and their results:

- The SupraYield technology for SUSS MicroTec Mask Aligners provides total field exposure with new resolution limits below 1 micron. This means that many applications in the field of microsystems technology and compound semiconductors for Mask Aligners are again attainable.
- Our largest foundry customer again increased its 300mm capacities in 2003. In view of the competitive situation, it is especially remarkable that the company invested solely in SUSS MicroTec equipment.
- The SECAP line for 300mm advanced packaging applications is now operational. Both the performance of the production processes run by the production user, Unitive Taiwan, and the results achieved by SUSS MicroTec in demonstration processes for customers, are satisfying our expectations to the fullest.
- In order to integrate customers even better on the excellently developing market for microsystems technology, a consortium including SUSS MicroTec (MEMUNITY as an abbreviation of MEMS-Community) was also established for this market. It is also pleasing that one of our employees in the US was elected as Chairman of the newly formed International MEMS Steering Group (IMSG), an interest group within the SEMI association.
- The new substrate bonders that have been developed for microsystems technology were very well received by the market. In particular, the new bond cluster systems featuring the SUSS MicroTec "nanoPREP technology" met with a positive response; the first orders have been placed. "nanoPREP" is a new technology that enables the bonding of silicon disks at such low temperatures that semiconductor circuits can survive the temperatures unharmed. In addition, the fact that this process can also be carried out without vacuum processes is considered by the market as almost revolutionary.
- The increased investment in application support for the fast-developing markets was highly significant. During our presentation of the new „SupraYield" and „nanoPREP" technologies at our key customers in particular, it became clear that understanding the customer's problems and, in many cases, the joint development of pilot solutions in cooperation with the customer, are key requirements for the market to develop successfully.

In order to reduce the impact of exchange rate fluctuations on our results, we will gradually increase the proportion of value-enhancement in the US dollar zone – at present approximately 75-80% of the value added is generated in the euro zone and only 20-25% in the US dollar zone. The objective is to increase the USD-based share of production costs to approximately 35% to 40%.

Since our R&D activities make the largest contribution to a still highly promising and sustainable strategic position, they were accorded maximum priority.

The fact that the semiconductor industry, although highly cyclical, still has great potential for growth is shown by the

following chart, which gives the SEMI association's outlook for the years 2004 to 2006 on the basis of the latest survey from November and December 2003.

The association's estimates make it clear that in the long term, the greatest potential for growth resides in Asia. The increasing tendency to shift semiconductor production from the US and Europe to Asia persists. According to the aforementioned survey, the industry expects to see the next general downturn in 2006. Although the forecasts always involve great uncertainty, the level of confidence is now considerably higher than in 2002 or the beginning of 2003.

We would like to point out that the anticipated downturn in 2006 represents a typical cyclical trend across all industries. Our course is not necessarily cyclical, due to our niche position on the market, we are, however, dependent on the general tone of the market environment.

Sales and Orders Position by Product Lines

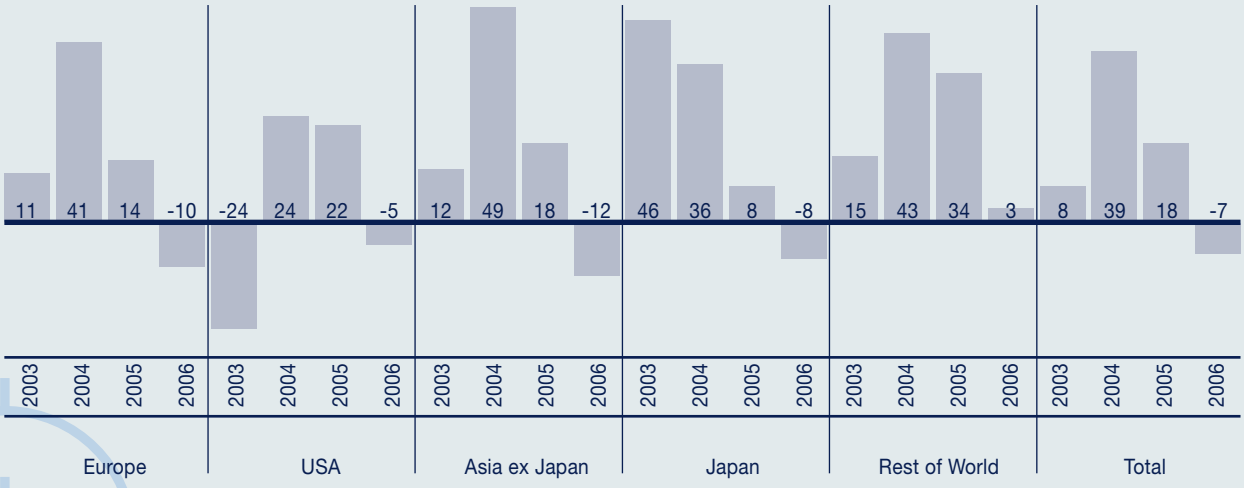
In the proportions of sales by product line, Mask Aligners and Spin Coaters account for almost two-thirds of total sales. This share was significantly lower than in the previous year, a fact that can be attributed to the relative increase in sales of the Probers product line (see also "Enterprise Performance and Market Position 2003").

Mask Aligners realized sales of EUR 41.9 (previous year: 61.3; -32%) million, with manual devices as our key sales generator in 2003. Since manual mask aligners are mainly used in development laboratories, they are naturally affected to a lesser extent by production cycles in the semiconductor industry. The low volume of production equipment, whose sale prices are often several times those of the manual devices, is therefore another reason for the relative decline in this product line's share of total sales. As soon as sales of production equipment get back to an appropriate level, the product line's share of aggregate sales will again increase sharply. Fiscal year 2003 also provided fresh confirmation of how reliable and accepted our manual Mask Aligners remain.

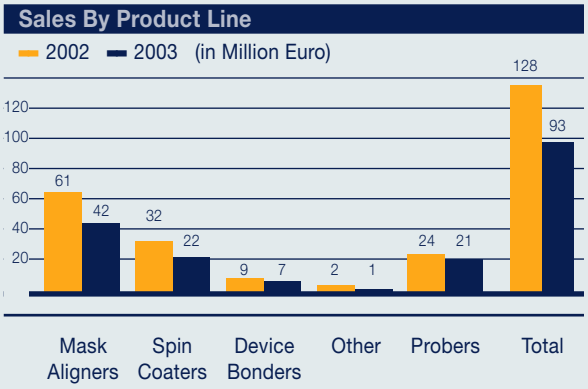
In the Spin Coaters product line, 300mm devices accounted for a significant proportion of the line's total sales of EUR 21.9 million (previous year: EUR 31.8 million; -31%). Generally, the principle that a low level of orders for production equipment leads to a substantial drop in sales applies even more strongly to Spin Coaters than it does to Mask Aligners.

As mentioned above, order entry for Mask Aligners (EUR 45.6 million in 2003 compared with EUR 43.8 million in 2002; +4%) and Spin Coaters (EUR 21 million in 2003 compared with EUR 32 million in 2002; -35%) was primarily a reflection of the low demand for the higher-priced production equipment. As demand for this equip-

Sales Expectations in the Semiconductor Industry (Source: SEMI, in per cent)

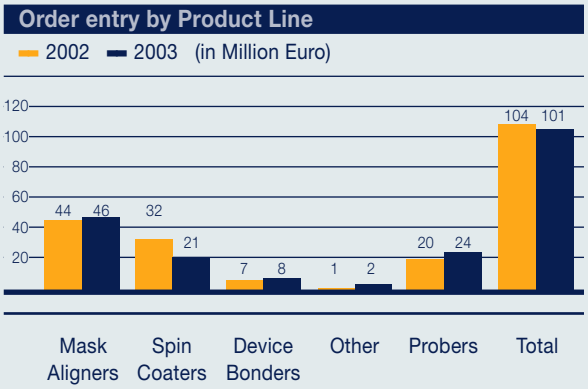


ment increases, order entry for these product lines will also increase substantially. The sharp decrease in the Spin Coaters is due to the fact that in this area, in contrast to Mask Aligners, we conduct no significant business transactions with manual equipment. That is why the trend in orders for Spin Coaters fluctuates even more strongly than the trend for Mask Aligners.



In the long term, the two aforementioned product lines, Mask Aligners and Spin Coaters, will continue to account for approximately 70% or more of Group sales.

We were able to target major progress in positioning products in the Substrate Bonders and Bond Aligners lines, which are part of the Mask Aligners product line, in 2003. The portfolio was almost completely replaced, with new technologies expected to generate significant growth in this area as early as 2004. In 2003, sales were still relatively low.



The sales trend in Device Bonders declined further to EUR 6.5 million (previous year: EUR 8.5 million; -23%). Although this product line continues to suffer from the weakness of its market environment – optical data transmission – the product is distinguished by its impressive technical performance with regard to precision. North America and Japan, as the two technology drivers, remain this product's most important markets, and 2004 – supported by a general economic recovery – could again offer growth potential for the Device Bonder. In the medium term we expect this product line to account for approximately 10% of total sales.

Order entry for this product line (EUR 7.9 million in 2003 compared with EUR 7.3 million in 2002; +9%) increased over the previous year, which had been expected because of the low base in 2002.

Probers generated sales of EUR 21.4 million (previous year: EUR 23.5 million; -9%), the most stable sales trend within the SUSS MicroTec portfolio in 2003. This resulted mainly from the introduction of new, high-grade Probers with unit prices of more than EUR 300,000. In the long term we expect this area to account for approximately 15% to 20% of total sales, depending on the extent and speed of the market acceptance of further new developments. The high level of order entry, EUR 24.4 million (previous year: EUR 20.3 million; +20%), provided another clear indication of higher demand.

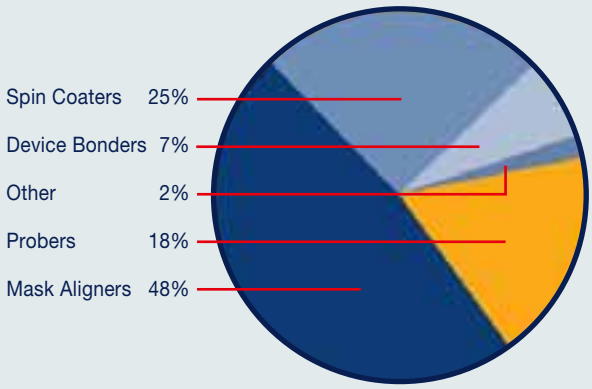
In summary, the proportion of sales claimed by Probers was higher in 2003 than in 2002, although this shift is merely a snapshot. A distribution of sales as in 2002 is more representative in the long term.

Sales and Orders Position by Regions

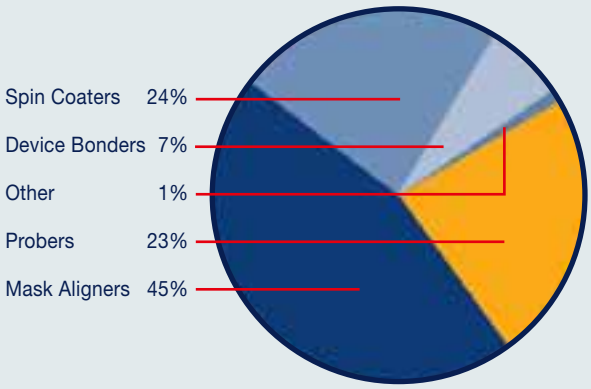
Sales in 2003 were relatively evenly distributed among the North America, Europe and Asia regions. In view of the current trend in exchange rates and the ongoing relocation of electronics production to Asia, we expect Asia to be the strongest region in the future, with North America and Europe likely to match each other's proportions of sales on EUR basis in the medium term. The year-on-year decrease in sales in 2003 was essentially the result of the lower order backlog at the beginning of

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

Proportions of Sales Accounted for by Production Lines (per cent)



2002



2003

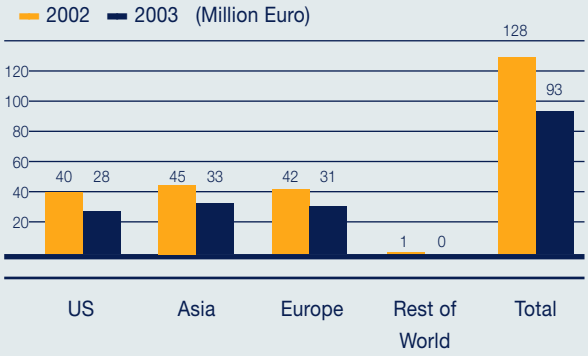
2003 (EUR 32.4 million) compared with the beginning of 2002 (EUR 57.6 million) and the failure of order entry to recover during the fiscal year.

In the area of order entry, North America showed a positive trend especially when considering the development of the exchange rates, while Asia declined in comparison with 2002.

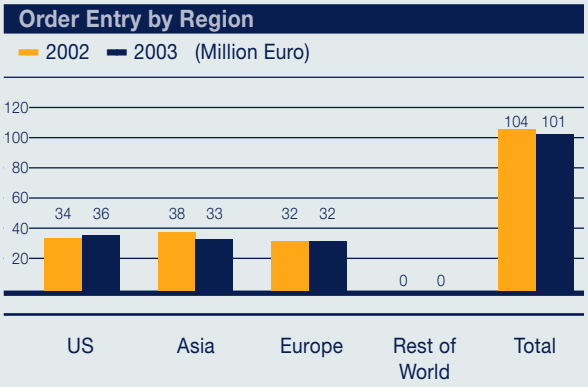
In North America, sales decreased from EUR 39.6 million to EUR 28.3 million (-28%), with the fall in the value of the US dollar accentuating the trend. Order entry, at EUR 35.6 million, exceeded the previous year's figure of EUR 34.5 million (+3%), a success when considering exchange rate effects: on a US dollar basis, oders increased from USD 33 million to USD 41 million (+25%). The region basically stands out by virtue of its healthy sales mix of manual devices and production equipment, whereby our main focus is currently on the product lines of Test and Measurement, Compound Semiconductors and Microsystems Technology. We also noticed an accompanying revival in offer activities, particularly in the second half of 2003. Major customers, too, were now showing greater interest in equipment, and in the future we expect this region to again generate higher proportions of sales from the Advanced Packaging market.

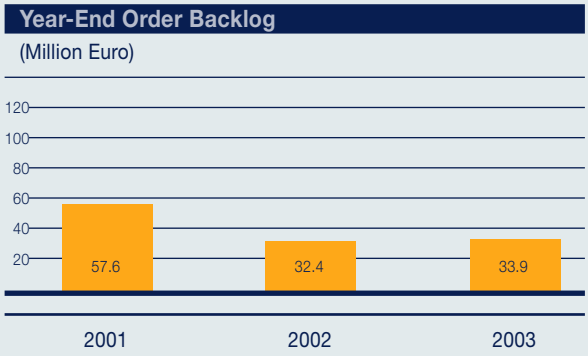
Sales in the Asia region declined again, from EUR 44.9 million to EUR 33.1 million (-26%). Order entry also declined (EUR 32.7 million in 2003 compared with

Sales by Region



EUR 37.6 million in the previous year; -13%). In Taiwan, Singapore and South Korea in particular, most of the sales involved production equipment in the Advanced Packaging market, and as a result this region was subject to greater fluctuations – the illustrations made concerning Mask Aligners and Spin Coaters can be assigned 1:1 to this region. Excluding Japan, sales in this area declined from EUR 33.4 million to EUR 24.3 million (-27%), with order entry also declining from EUR 27.5 million to EUR 21.3 million (-22%). Japan therefore occupies a special position in this region, since our sales in that country include only relatively small volumes of production equipment; in Japan we operate predominantly in the Test and Measurement and Microsystems Technology markets. Since 2002 was another extremely poor year in Japan, the trend in 2003 had its positive





side: although sales declined by 23% from EUR 11.5 million to EUR 8.8 million, order entry increased by 13% from EUR 10.1 million to EUR 11.4 million.

In Europe, operations in the Microsystems Technology, Compound Semiconductors and Advanced Packaging markets were supplemented by a number of other applications in general research and development. In Europe, as in North America, the lower order backlog at the beginning of the year and the insufficient increase in order entry led to a sharp decline in sales, from EUR 42.2 million in 2002 to EUR 30.9 million (-27%) in 2003. In the same period, order entry improved slightly, reaching EUR 32.4 million compared with EUR 31.9 million in the previous year (+2%).

Order Backlog

The ratio between new order entries and realized sales, i.e. the Book-To-Bill ratio, was 1.09 in 2003 (2002: 0.82). This figure, however, did not lead to a significant increase in the order backlog as valued on the respective balance sheet date. This can be attributed primarily to two effects (annual values):

- EUR -1.9 million in exchange rate effects resulting from the sharp drop in the US dollar;
- EUR -4.9 million in adjustments (including EUR 2.6 million in cancellations).

The order backlog usually includes orders for the next three to six months, although in exceptional cases later and earlier delivery dates can also be fixed.

Financial trend

Assets and Financial Position

In the first half of the year, the stable liquidity position resulted primarily from the incoming payment of receivables. This trend is seasonally typical, since the higher sales in the preceding, fourth quarter are followed by the relevant payments during this period. This was accompanied in the first half of the year by a tax refund of just under USD 4 million in the USA based on the possibility of completely carrying back losses to accrued profits.

The significant decline in liquidity in the third quarter, resulting primarily from special items becoming effective, was equally typical. For example, deferred trade tax for 2001 was paid in Germany and still outstanding payments for the restructuring in 2002 were made in France. This is shown in the balance sheet by the other liabilities, which decreased substantially during the third quarter. Customer advances, which are also included in this item, also failed to provide any real momentum (EUR 2.7 million at the end of 2003 compared with EUR 3.4 million at the end of 2002), and we expect that an increase in the customer advance ratio in 2004 will again fail to generate substantial positive effects. While our goal with regard to new orders is to agree on advance payments, what is dependant on the actual business development.

Towards the end of 2003, customers' payment moral showed a further improvement compared with the previous year. The days' sales outstanding (DSO) amounted to 67 (previous year: 72). For several years now, this figure has confirmed the high quality of our receivables

portfolio, which consistently shows very low default rates.

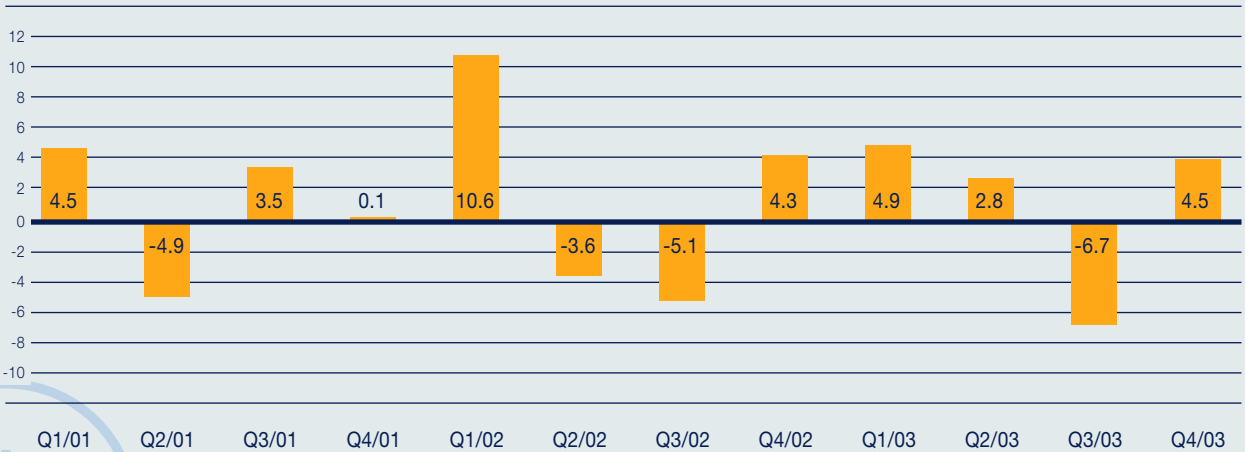
Due to the low DSO figure and the overall decrease in the receivables portfolio as of December 31, 2003, however, the additional liquidity effect produced by the incoming payments in the first half of 2004 will be well below that of the previous years. That is why we are not currently expecting the first half of 2004 to produce a positive free cash flow (operating cash flow less investments in fixed assets) of the kind that was generated in 2003 and, especially, 2002.

As a result of low sales, our effective inventories of EUR 42 million remained slightly above our target figure of EUR 40 million at year-end. This means that our working capital has yet to attain the dimensions that we are aiming for and still ties up too many financial resources. However, we are confident of making significant progress in 2004, particularly with inventories, if the 200mm production machines in particular make an appropriate contribution to sales. These machines, after all, are crucial to the cyclical section of inventories, which comprises approximately 35% of total inventories. If an increase in inventories affects only new products, e.g. 300mm or Bond Clusters, we consciously accept such items in the technology-oriented section of inventories (accounts for approximately 15% of total inventories). The remaining 50% of inventories, the non-cyclical section with scopes within our target range of 180 days, contains the manual Mask Aligners and Spin Coaters, Probers and spare parts.

Taking account of the expected trend in working capital in 2004, the primary effect of strong growth would be to make increasing demands on the existing level of liquidity. Due to the present situation at major German banks, appropriate caution in the provision of outside capital is clearly discernible. Surveys prove this point in regards to the trend in lending policies. That is why, in the fourth quarter, we decided to issue a convertible bond. We regarded the stock price at that time as appropriate. For one thing, the absolute price would provide sufficient cash inflow, and for another its proportionate level still offered upward potential.

The convertible bond generated initial cash inflow of EUR 11.64 million, with EUR 11.27 million generated by the first tranche and EUR 0.37 million by the second. If the options arising from the second tranche were to be exercised, there would be a further inflow of EUR 3.57 million. We believe that this increase in liquidity has now put us in a position to finance the coming recovery phase with our own resources. Including the convertible bond, the Group's borrowings decreased to EUR 1.8 million (previous year: EUR 4.7 million). Taking this transaction into account, we regard our medium-term restructuring of the liabilities side for the existing business model as sufficient.

Cash Flow-Cycle (Million Euro)



Thanks to the Group's capital ratio and its low level of short-term financial obligations, the Group balance sheet structure was again very healthy and solid at the end of 2003. The accuracy of last year's estimate that our balance sheet structure would cope with even a weak economic trend in 2003 has now been confirmed.

At the end of 2003 the Group had liquid funds amounting to EUR 26.8 (previous year: 16.9) million, counterbalanced by EUR 3.2 (previous year: 3.5) million in short-term amounts due to banks. The available open cash credit line at year-end amounted to EUR 13.2 (previous year: 14.7) million, with the result that total available liquidity came to more than EUR 37 (previous year: 28) million.

Investments

There were no significant investments in 2003. The only investments were in urgently needed replacements for office equipment and furniture and equipment for the manufacturing areas.

Earnings position

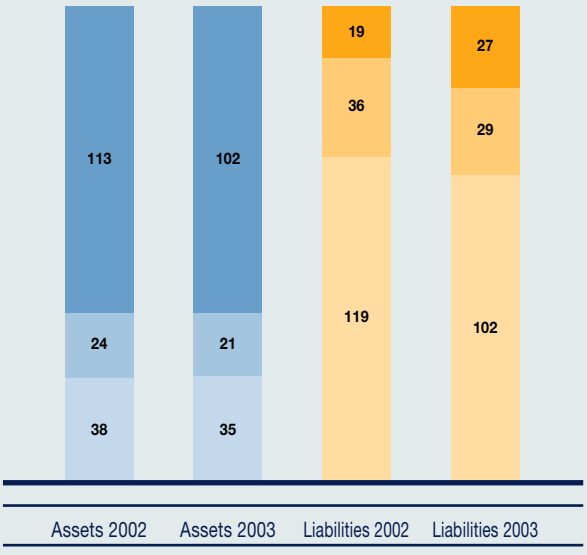
The gross profit margin, as a crucial indicator of earnings power, increased year-on-year only marginally in 2003. This was primarily due to the following factors:

- The further weakening of the US dollar reduces the gross profit margin because most of the machines sold in the US at equivalent US dollar prices are manufactured in the euro zone.
- When the Singen plant was closed down, special writedowns of inventories accrued as a one-time effect.

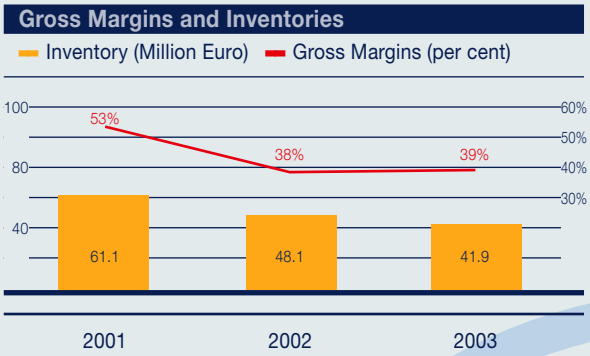
The overcapacities in the production area are at a level similar to the previous year, with the result that capacity utilization has no significant impact, even for the year-on-year comparison of the margins, the positive effect from restructuring was almost offset by the decline in sales. The same applies to the valuation allowances for inventories, which remain at a high level, and the downward pressure on prices, since these two factors were already evident in 2002.

Group Balance Sheet Structure

(Million Euro)



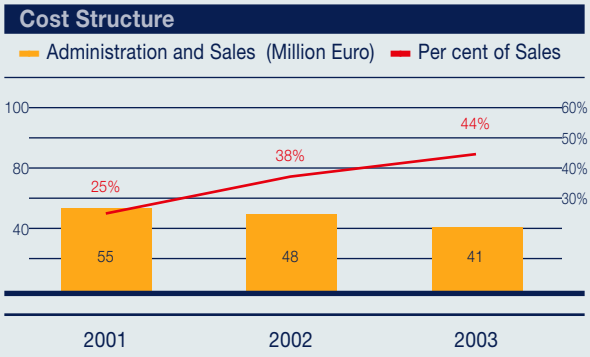
Gross Margins and Inventories



The more significant improvement in margins that had been expected for 2003 failed to materialize, primarily due to the lack of sales growth and the resultant failure to reduce inventories. In the area of the 300mm equipment, however, we benefited from positive learning curve effects. For 2004, we believe that margins are most likely to improve if higher sales allow economies of scale to

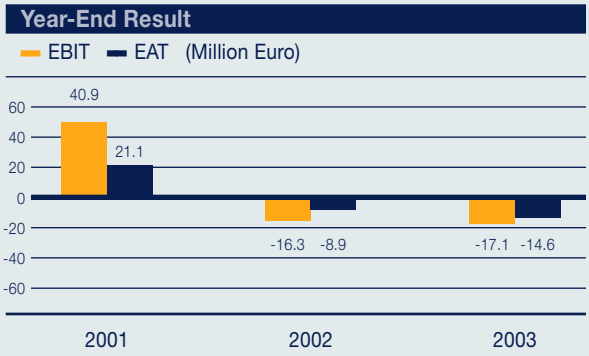
take effect. Our medium-term target margin is more than 45%, assuming a US dollar exchange rate of approximately USD 1.20 / EUR.

Net sales per employee (calculated as per year-end) again declined year-on-year to EUR 0.129 (2002: 0.145) million. Sales and administration overheads accounted for 44% of Group earnings in 2003 (2002: 38%). The change in the ratio resulted from the low level of sales, and we are assuming capacity utilization of approximately 65% in 2003. If we reach a sales level of approximately EUR 130 million that is profitable and in line with our structure, the percentage figure would decrease to approximately 30%, since no significant additional variable costs would arise in this area at that level of sales. At this point we would nevertheless like to point out that since 2001, we have reduced our absolute costs in this area from EUR 55 to 41 million, in other words by more than a quarter.



Under financial results and other earnings, the further increase in the euro, as in the previous year, led to significant book losses with internal USD loans. If the euro were weaker, these book losses would lead proportionately to book profits. Only a small proportion of the internal loans could be secured in 2003, and as a result we are again expecting results to fluctuate under this item in 2004.

With regard to the tax result, the cash-neutral valuation allowance on deferred tax assets for loss carry-forwards amounting to EUR 1.8 million at affiliated companies in Japan and the US must be specified as a significant component. These valuation allowances are specific to country because of the time-limited availability. The failure of a recovery in order entry in the fourth quarter of 2003 was a crucial factor in this valuation allowance, since the order backlog at the start of 2004 is too low to ensure a sufficient degree of probability for the use of these loss carry-forwards. If the loss carry-forwards are used later, the effective tax ratio will be correspondingly lower.



The Holding Company – SUSS MicroTec AG
(NB: We will be glad to provide you with the individual financial statements of SUSS MicroTec AG on request. Please contact our Investor Relations department.)

The holding company's task is to steer and lead the SUSS MicroTec Group. Its specific functions include strategic orientation, for example expansion of the product portfolio, acquisitions and financial issues pertaining to the entire Group. The holding company is also responsible for corporate identity in the fields of investor relations and marketing.

The holding company is usually the sole shareholder in the companies that are included in the consolidated financial statements. The holding company grants loans only to subsidiaries. The earnings position of the holding company as an individual company does not depend directly on the trends on our markets. The holding company finances itself mainly by allocating costs that can be apportioned to the operative companies.

Without special effects, the holding company usually generates a profit for the year on the basis of profit contributions from the holdings and the financial result. Under the latter item, internal loan accommodations and short-term financing arrangements generate relevant interest income.

The loans and receivables of the parent company to affiliated companies reduced from EUR 55 million in 2002 to EUR 43 million in 2003. This was largely due to repayment of short-term receivables from affiliated companies and the write-downs of the loans and receivables to SUSS MicroTec Laboratory Equipment GmbH. Shifts within this balance sheet position resulted from the conversion of short-term receivables to long-term loans during the course of 2003.

The convertible bonds, that have already been mentioned, are reported as a holding company obligation in the balance sheet.

Outline of Key Financial Figures for the Holding Company				
SUSS MicroTec AG (German Commercial Law), in Thousand Euro)				
	2003	**2002**	**Change**	**in %**
Annual net loss/ Annual net profit	-8,962	-1,656	-7,306	441
Shareholders' equity	92,870	99,769	-6,899	-7
Balance sheet total	117,519	117,555	-36	0
Portion of shareholders'				
Equity in per cent	79	85		
Fixed Assets	81,065	74,844	6,222	8
...% of balance sheet total	69	64		
Current assets*	36,454	42,711	-6,257	-15
...% of balance sheet total	31	36		
* including prepaid expenses				
Outline of Key Financial Figures for the group				
(US-GAAP in Thousand Euro)				
	2003	**2002**	**Change**	**in %**
Annual net loss/ Annual net profit	-14,553	-8,938	-5,615	63
Shareholders' equity	102,409	118,534	-16,125	-14
Balance sheet total	158,851	173,956	-15,105	-9
Portion of shareholders'				
Equity in per cent	64	68		
Fixed Assets	56,774	61,263	-4,489	-7
...% of balance sheet total	36	35		
Current assets	102,079	112,693	-10,614	-9
...% of balance sheet total	64	65		

In the holding company's financial statements for the fiscal year 2003, prepared under German Commercial Law, special effects – as in the previous year – were responsible for the net loss for the year of EUR -9.0 (previous year: -1.7) million. The most important extraordinary effects are listed below:

- EUR 2.7 million in book losses mainly on non-secured US dollar loans that were granted (this effect also applied in 2002),
- EUR 0.5 million in costs incurred in the issuance of the convertible bond,
- EUR 5.5 million in write-downs of the loans and receivables to SUSS MicroTec Laboratory Equipment GmbH.

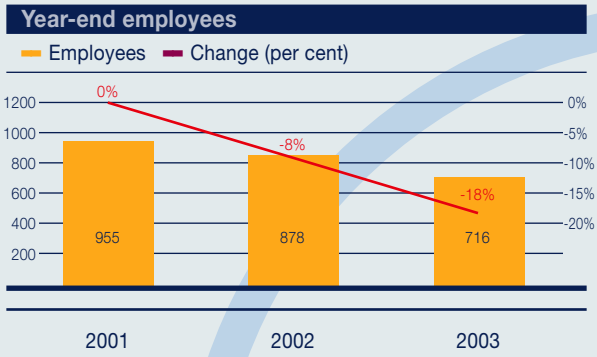
Whether further special effects emerge in the fiscal year 2004 depends on the US dollar trend during the year and, in particular, on the ongoing development of business in the Group. In 2003, for example, no essential valuation allowance for carrying amounts of holdings and receivables from affiliated companies was necessary; if business again fails to revive in 2004, however, significant valuation allowances in the individual financial statements of SUSS MicroTec AG might have to be carried out.

Staff

At the end of the fiscal 2003, 18 staff members (previous year: 18) and 2 board members were employed at SUSS MicroTec AG.

At the beginning of 2003, 878 staff members were employed in the Group's individual companies. In the first quarter of 2003, the plant relocation from Singen to Vaihingen was resolved and implemented. Similarly, staff numbers were reduced at Dresden in the first half of 2003.

As a result of these measures, staff numbers at the end of 2003 amounted to 716, of which 27 were trainees.

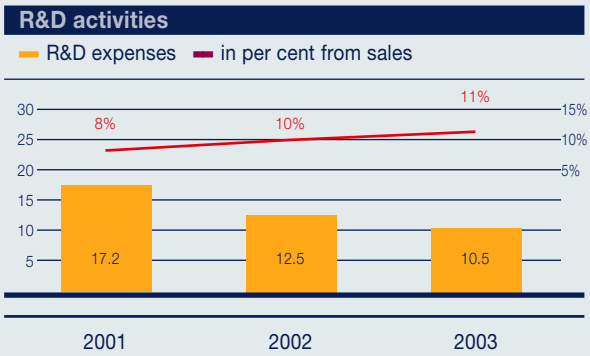


In our company, necessary cost reduction measures naturally involve staff cutbacks to a significant degree. As far as possible and justifiable, we always endeavor to take social factors into account when we take the necessary action. Although social hardship cannot always be avoided, we do everything possible to honor our responsibilities for our staff, even in such situations.

Research and Development

The research and development activities are of key importance for the sustainability of both the existing and future products.

Substantial development expenses were incurred for all of the product lines, since only permanent further development can ensure that technological advantages over the competition can be maintained or even extended further. Since an appropriate proportion of R&D activities were again directly related to customer orders in 2003, a proportion of the R&D expenses are posted under cost of sales. The ratio depicted in the chart would increase further if these costs were added. Especially in times of market weakness, it is important to improve the company's starting position for the next cyclical upturn. We have achieved this with the market launch of new products or technologies in all of our product lines.



Mask Aligners Product Line

For the largest product line, Mask Aligners, the application limit regarding the structural size in production applications was shifted from its previous level of approximately 5 µm to below 1 µm using the new „SupraYield" technology. This extension of the application field opens up potential markets worth approximately EUR 100 million per year. However, since the semiconductor industry is extremely cautious about changing production processes or introducing new production procedures because of its complex manufacturing processes, it will take several years to open up this potential market to any significant extent.

„SupraYield" is a combination of different technologies that provide the Mask Aligner with an unprecedented level of precision in wallslopes of printed structures. The two most important elements are Mask Pellicle Technology and ThermAlign technology.

Mask Pellicle Technology (MPT) is based on a procedure patented by Motorola for which SUSS MicroTec acquired a license and which was integrated into the Mask Aligner. In Mask Aligner lithography the capability to reproduce particularly small structures from a photomask onto the silicon wafer is directly dependent on the distance between the mask and the silicon wafer. Due to the sticky surface of the mask (sticky effect) and the prevailing unevenness of the wafer, this distance could not so far be significantly less then 20 µm if contact between mask and wafer and thus damage to the wafer surface were to be avoided. This is exactly where MPT comes into play. The coating of the mask surface with a Teflon-like material changes the character of the mask surface in such a way that contact between the mask and the silicon wafer no longer lead to errors in the exposure result and, consequently, a smaller distance between the mask and the wafer can be selected during exposure. In extreme cases, with direct contact exposure, structures down to 0.5 µm can now be safely reproduced.

The second important technological improvement to the Mask Aligner is achieved via the "ThermAlign" option. Now that the Mask Aligner can replicate far smaller structures with the help of mask pellicle technology, the question of the positional accuracy between the mask and the wafer comes to center stage. Previously, for structures measuring more than 5 µm, a positional accuracy of +/- 1 µm was quite sufficient because in this case, two structuring levels on top of each other would still provide sufficient covering precision. If, thanks to MPT, the structures now become smaller, the positional accu-

racy of this structure on the wafer must follow suit. A thermal coupling of the mask with the wafer significantly improves the positional accuracy during exposure. This technology, called “ThermAlign“, can reduce the impact of damaging temperature effects during exposure to less than +/- 0,3 µm. This is turning the Mask Aligner into a production device that facilitates structuring features down in the sub-micron range.

Spin Coaters / Developer Cluster System Product Line

In the field of Spin Coaters / Developer Cluster Systems, completing the development of the automatic production systems, and in particular rounding off the product portfolio in the lower price segment, was highly significant.

The applications served by SUSS MicroTec reside in the advanced packaging field, in the so-called “backend of line” (BEOL) in semiconductor production, and differ substantially from the applications in the so-called “frontend of line” (FEOL). In the frontend, the small structures mean that the demands on accuracy and clean room quality are significantly greater than in the packaging field or in the entire BEOL. For this reason the production plants are becoming more and more complex and automated in the FEOL. Human effort must be eliminated from production as much as possible, since people are the primary producers of particles in a clean room. In the BEOL, on the other hand, the demands on clean room quality are significantly reduced because the structures processed there are larger than in FEOL by a factor of between 10 and 100. This also changes the demands on the properties of the production equipment, which now focus on reduced cost.

SUSS MicroTec has taken into account these circumstances and developed production machines which were conceived specifically for the applications in the BEOL. In addition to the fully automatic coaters and development clusters, which tend to be offered for a factory with a high automation level, for example an IDM (integrated device manufacturer), systems with low automation levels are now tending to move to center stage as a result of increased cost pressure. Demand for these products is now particularly evident in regions where semi-automatic solutions are preferred to the fully automatic, “clustered” solutions. These are primarily Southeast Asian countries in which labor is a great deal cheaper than in Western countries.

The Gamma device series, which takes this trend into account, has been completely re-worked and is now state-of-the-art.

An additional important new development, the new Spray Coater “AltaSpray”, was also launched in the market. Spray coating has been examined time and again as an alternative to spin coating since the mid-1980s but has never achieved the breakthrough. However, the current applications in microsystems technology are demanding new approaches for spray coating. The crucial advantage of spin coating is the very simple structure of the devices. The liquid photoresist is placed in the center of the wafer and spread over the surface by spinning the wafer. This procedure comes up against its limitations if the wafer is no longer even or uniform. In microsystems technology in particular, wafers are manufactured with sometimes substantial topographies, which then have to be processed further. Coating by means of rotation is frequently no longer possible. An alternative to this approach is offered by spray coating, in which a considerably thinned photoresist is spread over the wafer with the help of a nozzle. Spray coating encounters particular difficulties when edges and corners within the wafer structure have to be covered. In view of that, SUSS MicroTec has developed a new spray coating process specifically to improve the spray coating of edges; it has also submitted a patent application for it. Since this procedure is still at the application stage, we should refrain from providing further details at present. The first orders for manual devices that use this procedure have already been delivered.

Test and Measurement Product Line

In the Test Systems (Prober) market, further development was focused primarily on systems for extremely low temperatures (cryo systems) and for testing under vacuum conditions.

Low testing temperatures down to minus 250°C are needed both for sensors that are to be used later under similar conditions, and for special infrared sensors that facilitate a very high display resolution. Applications of this kind are particularly frequent in space research and satellite-supported security monitoring. Personal temperature monitoring can be regarded as a newer application in the high-resolution image recognition and processing field. The SARS cases, particularly in Southeast Asia, have

increased the significance of the touchless measurement of temperatures over distances. At most airports and many public spaces, for example, use is being made of cameras that can recognize temperature increases of just a few degrees directly and with great accuracy. The functional principle of these cameras is based on either highly sensitive infrared sensors or micro-bolometer sensors. Both sensors were tested on SUSS MicroTec Probers.

High-resolution infrared sensors are operated at liquid nitrogen temperatures (minus 250°C) and must also be tested at these temperatures. The appropriate test systems are complex machines that realize the surrounding temperatures close to absolute zero while, for example, preventing the condensation of the room dampness at the same time. This can be achieved in practice only by locating the entire testing process within a vacuum apparatus.

The "vacuum prober", which was first developed by SUSS MicroTec, is enjoying increasing demand over and above this special application. Many applications in microsystems technology, for example the micro-bolometer sensors referred to above, generally function only in vacuum environments. Bolometers are sensors that measure the increase in the temperature of a test element by means of irradiation. Because the temperature increases are generally very low, the measured value would be substantially distorted under atmospheric pressure, since the surrounding air cools the sensor element at the same time the measurement is carried out. Other examples can be found in the micromechanics field, where microscopically small vibrating entities would be dampened by the surrounding air and thus curbed.

The microsystems technology market is going to become more and more significant. SUSS MicroTec is the most important supplier of test systems that are adapted for this market. MEMS test systems from SUSS MicroTec combine the characteristic parameters of a sensor with the electrical signals that the sensor sends out as a measuring signal. For example, pressure sensors are given a defined pressure level and the electrical signal response of the sensor is analyzed. In other cases, acceleration sensors are physically accelerated on a vibrator or microphone sensors are exposed to a defined level of acoustic pressure. The new MEMS testing systems from SUSS MicroTec are now global leaders in the field of linking non-electric stimulation with the electrical signal response of a sensor. Only this direct link provides accurate information regarding the operability of the sensor in question.

The testing of tiny structures from the latest chip generations is becoming more and more important. The MFI testing devices, which are developed further by SUSS MicroTec, can be used to test structures measuring 150 nanometers. MFI stands for Micron Force Instruments, the company that invented this procedure; it was acquired by SUSS MicroTec in 2001. The name refers to the measuring principle that uses atomic force microscopy technology.

This procedure can be used as both a contact system and a system for the touchless testing of semiconductor devices. The first development stage of contact probing is currently being launched on the market, and the first order has already been received for the second stage, contactless probing. Aided by this technology, SUSS MicroTec Probers are going to remain leaders in the field of high-resolution testing applications.

Device Bonders Product Line

The new "Triad" Device Bonder was launched on the market. This is a modified and enhanced device that satisfies the demand for considerably higher throughput for components with small dimensions. To achieve this, the machine structure was altered in ways that make faster handling possible without sacrificing the accuracy of the bonding result.

With the primary market for SUSS MicroTec Device Bonders, the installation of glass fiber – laser diode connections, collapsing as a result of the decline in optical communication applications, new markets were found for these devices. In particular, the developments in the field of special chip applications for highly critical applications are offering new areas of deployment. Key areas here are the chip-on-wafer and chip stacking applications. Although these applications are still no more than relatively small niches, the ongoing reduction in package dimensions and the increase in the power density within a package will make them especially significant.

In fiscal year 2003, the first orders for a Nanoimprint stepper were won on the basis of the device bonder. The new

nano-imprinting procedure is now regarded in many fields as an interesting procedure for the economical structuring of materials in microsystems technology. In some areas, nano-imprinting can be regarded as an alternative to the basically more cost-intensive photolithography.

Photolithography replicates the wallslope of the optical structure of a photomask into a photoresist layer by means of exposure. Chemical processing during development dissolves the exposed areas away from the photoresist layer, thus achieving the topographical structuring of the resist layer.

Nano-imprinting can be regarded in simplified terms as stamping technology. A mechanically structured glass top is pressed like a stamp into semi-liquid material, which then hardens as a result of UV light radiation or an increase in the temperature of the material. When the material has hardened, the stamp can be removed and the topographical structure remains in the material.

The requirements for a nanoimprint stepper have already been almost completely satisfied by the device bonder. However, instead of a device that is bonded to a substrate (Device Bonder), the bonder now grips a glass top, deposits it like a device for bonding and hardens – bonds – by means of temperature or UV light. Unlike device bonding, where the component remains on the substrate at the final stage, the device bonder removes the glass top from the substrate again during "nano-imprinting" and then "stamps" the next field.

On closer examination, a number of modifications will have to be made to the Device Bonder if the nanoimprint stepper is to fulfill market requirements. Most of these modifications have been completed and the first order has already been won.

Substrate Bonders Product Line

The new automatic Bond Clusters for wafer bonding represent a crucial step towards market leadership in the wafer bonding field. Their reliability was improved and the accuracy of their bonding adjustment, in particular, was increased substantially. Thanks to this overhaul, our bond clusters are now regarded as market leaders in their field and, most importantly, have established themselves firmly over the past six months.

The "nanoPrep" procedure, a new surface pretreatment method for wafer bonding, was launched in the market. This procedure, for which a patent has now been applied, uses a plasma activation of the wafer surface under atmospheric pressure, thus making it possible to bond two silicon wafers at temperatures of only 200°C, which are extremely low for this process. At temperatures of 200-300°C, classical CMOS semiconductor structures are not destroyed, with the result that this procedure can be used to bond even wafers on which finished microchips were already produced. Without plasma activation, temperatures of 1000°C must be applied to achieve the same bonding strength. At such temperatures, however, all of the CMOS structures on the wafer would be burned.

This procedure, for which SUSS MicroTec has applied for a patent, differs from other plasma activation procedures currently on the market by virtue of the fact that it is operated under atmospheric pressure. In every production process, vacuum application is an unwanted, but generally unavoidable factor that makes the procedure more complicated. In this area, the SUSS MicroTec nanoPrep procedure helps to make the production process a lot simpler.

Outlook

A revival in some of our customers' business trends was evident in the quarterly and annual financial statements as early as the second half of the year. For that reason, we too are entering 2004 with clearly more optimism than last year.

We achieved our primary goal of a positive free cash flow; we did not make an earnings forecast because of the extreme uncertainties in the market. The crucial element was and remains the organization of a reasonable corporate structure that can actively help to shape the coming upturn.

In 2004 we are expecting a recovery in order entry, which, adjusted for exchange rates, should exceed the previous year's level by up to 20%. Two factors are going to be particularly crucial for sales in 2004:

- the time when the recovery is reflected by an increase in order entry;
- the trend in exchange rates, particularly that of the euro against the US dollar.

If both of these factors develop favorably, we are convinced that our earnings will achieve the breakeven threshold (sales EUR 115 - 120 million). Our primary goal in 2004 is to return to profitability, although we are not expecting to reach breakeven point on a quarterly basis until the third quarter. Profitability for the year as a whole will not be achieved until the conclusion of the fourth quarter.

The trend in free cash flow depends on the strength of sales growth. Given moderate growth and correspondingly positive trends in inventories and customer advances, we expect to generate another positive free cash flow for 2004. In case of high Sales portions not being generated until the 4th quarter, the positive trend in free cash flow might also be reflected in the figures for the first quarter of 2005.

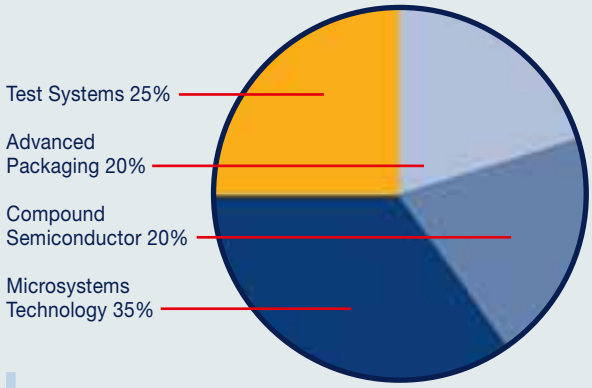
Advanced Packaging (ADP)

- Over the past few years, many chip manufacturers or so-called packaging foundries have installed the technology of advanced packaging. In doing so, they kept production capacity to the lowest possible level because of the difficult market environment. The first capacity constraints are already evident, indicating that business can be expected to revive soon.
- Further-reaching developments in the direction of smaller, more powerful devices require new chip bonding techniques. Following the microprocessors, less complex chips such as DSP or logic components have now also been processed using the methods of advanced packaging.
- In the future, a highly important application segment for advanced packaging will lie in the field of memory chips (D-RAM). Although D-RAM production still uses nothing but traditional packaging techniques, this market will become more and more attuned to the benefits of advanced packaging. We expect to receive our first substantial orders in 2005 and 2006, primarily for the production of D-RAM chips on the new 300mm wafer formats.

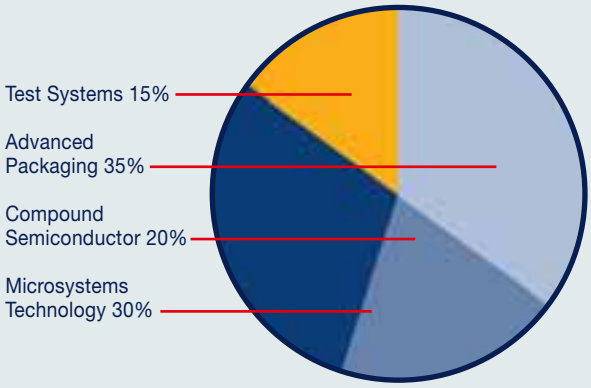
Compound Semiconductors (CSE)

- This market is influenced largely by telecommunications applications. In 1999 and 2000 there was substantial over-investment in this area, particularly in optical data networks. The production plant overcapacities to which this led are being utilized only slowly, with the result that new investments will be made only if demand increases more strongly. We expect that 2004 will again fail to provide the required momentum.
- The LED production and laser diodes market is developing positively. We received individual orders as early as 2003; we regard further growth as probable in 2004.

Updated View of the Market (per cent)



Current distribution of sales



Long-term distribution of sales

Microsystems Technology (MEMS or MOEMS, MST)

- Microsystems technology differs from the other fields by virtue of its far greater diversification in both the products themselves and the manufacturers of those products. In contrast to the microchip, which is usually produced extremely cost-effectively in large quantities, the microsystems are produced in far smaller quantities and their diversity of types is far greater. This means that microsystems technology is not dependent on individual ultimate markets; instead, it is influenced by the overall economic situation and the general investment climate.
- The greatest momentum for microsystems technology is currently being provided by the automobile industry and peripheral computer equipment such as inkjet printers and projector displays. But other ultimate markets, such as environmental sensors, biotechnologies, the chemical industry and the new nanotechnologies are also offering new product opportunities for microsystems technology. This market was already showing a positive trend in 2003, and we expect this trend to continue in 2004.
- With regard to the goals that we declared last year, i.e. increasing sales and improving our market share to well over 50% in this market, we are convinced that we will achieve these in the near future.

Test Systems (TS)

- For SUSS MicroTec, the testing systems product line is historically far less dependent on the semiconductor cycles, since only devices for applications in the analytical field of development or fault analysis are offered in this market, not production devices. These applications are influenced greatly by the general investment climate in the semiconductor industry or other high-technology markets. Stronger growth can be expected for SUSS MicroTec when the global economic conditions improve.
- Last year's positive outlook for 2003 has been confirmed in for testing systems:
- Further improvements were achieved on the basis of the technology from MFI, a company acquired in 2001. From 2004 onwards we are expecting sales contributions from this area, which we expect to increase continuously over the subsequent years due the technological unique selling points.
- The cryo-prober, which permits the testing of circuits at extremely low temperatures of below –250°C, is being received very positively by the market. The same applies to the MEMS Prober, which is used to test sensors. First of all, the active sensor elements are stimulated in the dimensions that are relevant. The analysis of the electrical reaction then makes possible a far more accurate statement than when, as was previously the case, the sensor is measured only electrically. This new procedure is used, for example, to coat pressure membranes with a pressure hammer, silicon microphones with defined acoustic pressure, etc.

In respect of long-term regional strength, we expect the North American and European regions to make similar contributions of approximately 30%, with Asia being the strongest region.

We continue to hold an unchanged positive view of the long-term potential of our products, especially in the field of advanced packaging. The entire industry is at the end of a recessionary phase that also left its mark on our own markets. Within these business markets, however, our company's market position has continued to improve relative to the direct competition, and we remain true to the declaration that we made last year: SUSS MicroTec is ideally equipped for the coming upturn.

Risks for Continued Business Development

The worldwide activities of the enterprise in high technology exposes it to both general and current risks. In order to monitor risks in suitable fashion, the Executive Board has taken steps to facilitate the early recognition of developments that might jeopardize the continued existence of the SUSS MicroTec Group.

General Risks

Cyclical Market Fluctuations and Market Developments

The ongoing crisis in the semiconductor market and the difficulty in estimating short and medium-term market trends are still among the greatest risks facing the company. We counter these risks by making adjustments to structures, which we intend to expand when business activity picks up again, primarily by means of external outsourcing.

Access to Loan Capital

We are expecting the framework conditions for the provision of outside capital to change, particularly as a result of the introduction of Basel II. Minimizing dependency on external capital, particularly short-term capital, ought to keep potential financing risks low. We are countering this risk primarily by aiming to keep the proportion of loan capital low with appropriate cash flows, including those arising from the optimization of working capital.

Currency Impacts

The further long-term strengthening of the euro against the US dollar and the Japanese yen could constitute a fundamental risk, since above a certain level the current distribution of value-enhancement would no longer be optimal for earnings. As a rule, we compensate for short-term fluctuations by hedging transactions.

Market Positioning

New technological developments launched by our competitors can lead to the unplanned obsolescence of parts of the product portfolio, and thus part of our potential, if these new technologies offer faster, more efficient or more economical solutions to the same problem. We counter this risk primarily with targeted research and development expenditure and with the ongoing coordination of development planning with our key leading customers.

Liability Risks

SUSS MicroTec's products are analyzed, monitored and optimized regularly in a process of comprehensive risk and quality management. Since the products are deployed in the production environment of companies whose demands regarding product quality are becoming tougher, liability risk for SUSS MicroTec may increase. In addition to other insurance coverage, SUSS MicroTec has arranged for product liability insurance for the Group to minimize potential risk as far as is possible.

Dependence on Individual Holders of Knowledge

In some individual areas, particularly the field of research and development, the company depends on the knowledge of individual staff members. The non-availability of these staff members for the Group is therefore a risk, which the company plans to counter with internal documentation requirements.

Current Risks

Structure and Organization

The essential adjustments in staff numbers and the associated organizational changes give rise to a risk of lowered process quality. This could also have an impact on the development of business.

Assets and Earnings Position

If sales remain persistently low, significant valuation allowances could become necessary for assets of the holding company and for the consolidated balance sheet. These would have a substantial impact on the assets and earnings position of the parent company and the Group, but would not affect liquidity. Valuation regulations used throughout the Group ensure that appropriate valuation allowances are carried out to prevent latent overvaluations of inventories.

Price Pressure and Currency Trends

The current market environment continues to be determined by increased downward pressure on prices. This involves the risk that even if markets recover, original target sale prices can no longer be attained. We counter this risk by pursuing a steady pricing policy, also waiving orders if the terms are unattractive, so that we can guarantee customers consistent prices when the markets recover. Less easy to control is the current rapid decline in the value of the US dollar, in particular, since transactions in that currency zone are usually conducted at an unchanged US dollar price. We have already reacted to this actively and will continue to increase the proportion of value-enhancement posted in the United States. This, however, cannot be done at a speed that matches the exchange rate movements.

Financial Position

In the short and medium term, the liquidity position has been particularly secured by the issuance of a convertible bond in the fiscal year ended. Persistent long-term weak-

ness in this area would necessitate suitable measures to reduce expenditure.

Political Circumstances

In addition to the continuing potential for conflict in the Middle East, the tension between China and Taiwan could have a considerable impact on the course of business in 2004. Although risks are also inherent in the embargo policy pursued by several Asian countries, affecting special customers of the Group, the scale of these risks is considerably smaller.

There are no risks that endanger the continued existence of the company.

Significant Events Since the Balance Sheet Date

On February 6, 2004 we were notified of the conversion of 200,000 shares. This reduces our borrowings by EUR 2 million and an appropriate transfer to the capital reserve (shareholders' equity) will be made.

Garching, March 15, 2004
The Executive Board

Dr. Franz Richter

Stephan Schulak

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

TEUR	Notes	01/01/2002-12/31/2002	01/01/2003-12/31/2003
Sales	VI.4	**132,379**	**95,500**
Freight and Commissions		-4,864	-2,885
Net sales		**127,515**	**92,615**
Cost of goods sold		-79,598	-56,168
Gross profit		**47,917**	**36,447**
Administration and selling costs		-48,006	-40,985
Research and development costs		-12,537	-10,496
Amortization of goodwill		0	0
Other operating expenses and income	V.1	-401	859
Foreign currency exchange gains and losses		-3,319	-2,916
Net income from operations		**-16,346**	**-17,091**
Interest expenses		-1,309	-1,245
Interest income		479	358
Minority interest		6	24
Income before taxes		**-17,170**	**-17,954**
Income taxes	V.2	8,232	3,401
Net loss		**-8,938**	**-14,553**
Earnings before Interest and Taxes (EBIT)*)		-16,340	-17,067
Earnings before Interest and Taxes, Depreciation and Amortization (EBITDA)*)		-9,419	-10,996
Per share	IV.5		
Basic earnings per share in EUR		-0.60	-0.97
Diluted earnings per share in EUR		-0.60	-0.97
Net loss		**-8,938**	**-14,553**
Other comprehensive income after tax			
Differences in foreign currency translation		-3,192	-2,255
Additional minimum liability		-42	-14
Unrealized gain on securities		0	47
Comprehensive Income		**-12,172**	**-16,775**

*) unaudited

The accompanying notes are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

TEUR	Notes	as of 12/31/2002	as of 12/31/2003
ASSETS			
Cash and cash equivalents		16,914	26,785
Accounts receivable, net	III.3	34,105	23,606
Other receivables and assets	III.4	9,249	6,603
nventories, net	III.5	48,062	41,900
Prepaid expenses	III.6	958	1,094
Deferred tax assets current	V.2	3,405	2,091
Total current assets		**112,693**	**102,079**
Tangible assets	III.7	16,592	11,935
Intangible assets	III.8	9,679	7,305
Goodwill	III.8	28,009	28,009
Investments in subsidiaries	III.9	148	144
Deferred tax assets long-term	V.2	4,895	7,480
Other long-term assets	III.10	1,940	1,901
Total lont-term assets		**61,263**	**56,774**
Total assets		**173,956**	**158,853**
Liabilities & shareholders' equity			
Current bank liabilities	IV.1	3,531	3,154
Current lease obligations	IV.2	275	158
Accounts payable		3,934	5,972
Current portion of pension liabilities	IV.2	223	214
Current portion of long-term debt	IV.1	3,546	2,991
Other current liabilities	IV.3	24,432	16,929
Total current liabilities		**35,941**	**29,418**
Long-term debt	IV.1	14,501	22,423
Leasing obligations	VI.2	613	473
Pension liabilities	IV.2	3,580	3,581
Other long-term liabilities	IV.4	735	517
Minorty interest on consolidated subsidiaries		52	32
Total long-term liabilities		**19,481**	**27,026**
Common stock / Common stock EUR 1.00 par value 22,423 thousand			
shares authorized Dec 31, 2002 and 2003, respectively; 14,957 thousands			
shares issued and outstanding Dec 31, 2002 and 2003, respectively	IV.5	14,957	14,957
Additional paid-in capital		80,911	81,561
Appropriated retained earnings		433	433
Retained earnings (current year and brought forward)		25,637	11,084
Cumulative other comprehensive income	IV.5	-3,404	-5,626
Total shareholders' equity		**118,534**	**102,409**
Total liabilities & shareholders' equity		**173,956**	**158,853**

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	01/01/2002-12/31/2002	01/01/2003-12/31/2003
Cash Flow from operating activities		
Net loss	-8,938	-14,553
Adjustments to net assets (shortterm) caused by exchange-rate fluctuations	-1,505	134
Adjustments to reconcile net income to net cash provided by operating activities		
Non-cash stock based compensation	1,430	650
Tax effect on expenses of share contribution	514	0
Amortization of intangible assets	2,200	1,965
Amortization of goodwill	0	0
Decrease of investments in subsidiaries caused by change in consolidation	106	0
Depreciation of tangible assets	4,174	3,784
Amortization of leased assets	547	322
Change of deferred tax assets	-2,556	-1,271
Loss / Gain on disposal of assets	-20	551
Loss / Gain on investments	-1	4
Change of reserves for bad debts	-167	333
Change of reserves on inventory	811	337
Changes in assets and liabilities		
Change in accounts receivable	16,866	10,166
Change in inventories	15,047	5,825
Change in prepaid expenses	100	366
Change in other assets	-5,895	2,685
Change in accounts payable	-3,543	2,038
Change in other liabilities, provisions and deferred income	-10,106	-7,503
Change in pension liabilities	-243	-8
Change in other long-term liabilities	-2,721	-238
Cash Flow from operating activities	**6,100**	**5,587**
Cash Flow from investing activities		
Payments in tangible assets	-2,935	-1,010
Payments in intangible assets	-139	-10
Payments for business acquisitions	-3,356	0
Proceeds from disposal of tangible and financial assets	203	3
Cash Flow from investing activities	**-6,227**	**-1,017**

The accompanying notes are an integral part of the financial statements

TEUR	01/01/2002-12/31/2002	01/01/2003-12/31/2003
Cash Flow from financing activities		
Proceeds from issuance of a convertible bond	0	11,642
Debt Issue Costs	0	-502
Increase of bank loans	5,677	0
Repayment of bank loans	-2,666	-4,275
Change of current bank liabilities	-25,991	-377
Finance-lease payments	-844	-257
Proceeds from share capital contribution	34,465	0
Proceeds from issuance of common stocks	317	0
Payments for expenses related to capital increase	-1,376	0
Cash Flow from financing activities:	**9,582**	**6,231**
Net Change in cash:	**9,455**	**10,801**
Adjustments to funds caused by exchange-rate fluctuations	-239	-930
Funds at beginning of the year	7,698	16,914
Funds at end of the period	**16,914**	**26,785**
Supplemental cash flow information:		
Interest paid during the period	1,103	773
Income taxes refund / paid during the period including prepayments	3,304	5,273
Disclosure of other non-cash activities		
Increase of tangible assets under capital lease	710	0

FIXED ASSET MOVEMENT SCHEDULE

	Acquisition or Production Costs					
TEUR	01/01/2003	Currency-Differences	Addition from investing	Reclassifications	Disposals	12/31/2003
I. Intangible Assets						
1. Concessions, intellectual property rights and similar rights and assets as well as licences to such rights and assets	15,339	-524	10	0	233	14,592
2. Goodwill	40,581	0	0	0	0	40,581
	55,920	-524	10	0	233	55,173
II. Tangible Fixed Assets						
1. Buildings and Land	7,900	-336	81	0	101	7,544
2. Technical Equipment and Machinery	10,525	-1,534	603	0	57	9,537
3. Other Assets, office and plant furnishings	13,881	-598	303	-32	771	12,783
4. Motor vehicles	639	-36	23	0	49	577
5. Facilities under construction	95	0	0	0	95	0
6. Capitalized leased property						
Buildings and land	600	0	0	0	0	600
Technical Equipment and Machinery	933	-53	0	0	0	880
Other equipment, office and plant furnishings	1,297	135	0	32	0	1,464
	35,870	**-2,422**	**1,010**	**0**	**1,073**	**33,385**
III. Financial Assets						
1. Equity consolidated holdings	2,187	0	0	0	4*)	2,183
2. Other equity investments	202	0	0	0	0	202
	2,389	**0**	**0**	**0**	**4**	**2,385**
	94,179	**-2,946**	**1,020**	**0**	**1,310**	**90,943**

*) At Equity Valuation

The accompanying notes are an integral part of the financial statements

	Amortization / Depreciation						Net book value	
Afa 01/01/2003	Currency-Differences	Additions	Adddition from investing	Reclassifications	Disposals	12/31/2003	12/31/2002	12/31/.2003
5,660	-177	1,965	0	161	7,287	9,679	7,305	
12,572	0	0	0	0	12,572	28,009	28,009	
18,232	-177	1,965	0	161	19,859	37,688	35,314	
2,874	-166	709	0	26	3,391	5,026	4,153	
5,284	-715	1,431	0	37	5,963	5,241	3,574	
8,741	-362	1,608	-19	493	9,475	5,140	3,308	
568	-31	36	0	35	538	71	39	
0	0	0	0	0	0	95	0	
190	0	56	0	0	246	410	354	
559	-38	127	0	0	648	374	232	
1,062	-31	139	19	0	1,189	235	275	
19,278	**-1,343**	**4,106**	**0**	**591**	**21,450**	**16,592**	**11,935**	
2,073	0	0	0	0	2,073	114	110	
168	0	0	0	0	168	34	34	
2,241	**0**	**0**	**0**	**0**	**2,241**	**148**	**144**	
39,751	**-1,520**	**6,071**	**0**	**752**	**43,550**	**54,428**	**47,393**	

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

TEUR	Number of shares (in thousands)	Common Stock	Additional paid-in capital	Earnings reserve	Retained Earnings	Accumulated other Comprehensive Income	Total
As of 01 January 2002	**13,802**	**13,802**	**46,716**	**433**	**34,575**	**-170**	**95,356**
Proceeds from share capital contribution	1,130	1,130	33,335				34,465
Expenses related to share capital contribution, net of tax			-862				-862
Issuance of subscription rights			1,430				1,430
Proceeds from issuance of common stock	25	25	292				317
Annual net loss					-8,938		-8,938
Foreign currency adjustment						-3,192	-3,192
Additional minimum pension liabilities, net of tax						-42	-42
As of 31 December 2002	**14,957**	**14,957**	**80,911**	**433**	**25,637**	**-3,404**	**118,534**
As of 01 January 2003	**14,957**	**14,957**	**80,911**	**433**	**25,637**	**-3,404**	**118,534**
Issuance of subscription rights			650				650
Annual net loss					-14,553		-14,553
Foreign currency adjustment						-2,255	-2,255
Additional minimum pension liabilities, net of tax						-14	-14
Unrealized Gain from securities						47	47
As of 31 December 2003	**14,957**	**14,957**	**81,561**	**433**	**11,084**	**-5,626**	**102,409**

The accompanying notes are an integral part of the financial statements

SHARES AND OPTIONS OF THE EXECUTIVE BODIES

	Shares as of 09/30/2003	Options as of 09/30/2003	Shares as of 12/31/2003	Options as of 12/31/2003
Executive Board				
Dr. Franz Richter (Vors.)	400,000	105,000	400,000	105,000
Stephan Schulak	0	40,286	0	40,286
Supervisory Board				
Dr. Winfried Süss (Vors.)	1,039,780	0	1,025,000	0
Thomas Schlytter-Henrichsen (stellv. Vors.)	6,909	0	6,909	0
Horst Görtz	3,894	0	3,894	0
Prof. Dr. Anton Heuberger	0	0	0	0
Dr. Christoph Schücking	500	0	500	0
Dr. Thomas Sesselmann	0	0	0	0

CORPORATE CALENDAR

2004	
05/04	Quarterly report 2004
06/16	General meeting SUSS MicroTec AG, Munich
08/03	Semiannual report 2004
11/09	Ninemonth report 2004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

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 and Vaihingen (Germany), Waterbury and Palo Alto (USA), and Saint Jeoire (France). The site of Aßlar, 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, Thailand, Taiwan and China. 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 since 18 May 1999 and is member of the Tec DAX in the Prime segment of the Deutsche Börse AG.

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 reducingbalance 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%.

Convertible bond and warrant-linked bond

In US-GAAP, the proceeds from the issuance of bonds have to be debited in full as liability. A split into an equity portion related to the fair value of the conversion rights and a liability portion is not provided.

This split is applicable in German Commercial Code where the proceeds related to the conversion rights can be accounted for in the capital reserves as Agio. The variance between the repayable amount of the bonds and the fair value of the issuance of a pure bond without conversion rights has interest-bearing character and can be capitalized as Disagio.

Due to the untypical structure of the warrant-linked bond, where the creditor waives his claims with exercise of the warrants, the split into equity and liability portions is not applicable. Therefore, similar to the convertible bond, the proceeds are accounted for as liability.

In US-GAAP, the expenses related to the issuance of the bonds are not expensed but carried out of the liability.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

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", amended by SFAS NO. 137 „Accounting for Derivative Instruments and Hedging Acitivities – Deferral of the Effective Date of FASB Statement NO. 133 an amendment of FASB Statement No.133", SFAS NO. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS NO. 149 "Amendment of Statement 133 on 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.

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 as defined in SFAS NO. 115 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.

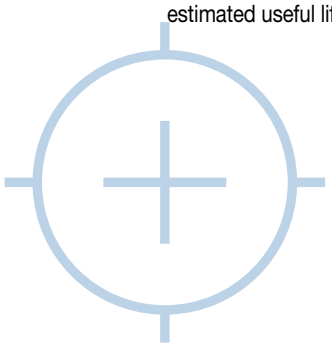
Inventories

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 costs for inventories besides 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.

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 l iabilities. 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.

The impairment test as set forth in SFAS NO. 142 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 tangible and intangible 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

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.

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 group´s annual net income according to US-GAAP. Such procedures affect foreign currency adjustments and certain unrealized profits/losses from securities and that portion of the minimum liability for pension reserves which exceeds the intangible 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

EITF 00-21 “Revenue Arrangements with multiple Deliverables” is applied for all contracts being closed after 30 Jun 2003 and having multiple components. Previously, revenue recognition was determined by using SEC Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements".

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.

Warranty provisions

FIN 45 „Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others“ instructs the issuer of the warranty to debit its obligations at fair market value.

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. This also applies for the Foreign Currency Exchange Gains and Losses.

Taxes

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.

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 in 2002.

With changes in German Tax Law issued Dec 22, 2003, effective Jan 1, 2004 the carry-back of losses has changed for corporate income taxes as well as for trade income taxes. From 2004 on, only up to EUR 1 million income can be carried back, whilst any remaining additional income can only be carried back by 60%. The other 40% of the additional income is taxable immediately. Furthermore, 5% of any profit derived from the sale of interest in domestic and foreign corporations as well as 5% of received dividend payments in the future are considered as non tax-deductible expenses and liable to corporate income tax and trade income tax.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

II.4 Consolidation

In addition to SUSS MicroTec AG, 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 intergroup profits.

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 Good-will 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".

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.

	2003 Balance Sheet	2003 P&L	2002 Balance Sheet	2002 P&L
1 EUR vs 1 USD	1.26	1.13	1.04	0.95
1 EUR vs 100 JPY	134.85	131.17	124.20	118.10
1 EUR vs 1 GBP	0.71	0.69	0.62	0.63
1 EUR vs 1 CHF	1.56	1.52	1.45	1.47

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 2003 (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
SÜSS MICROTEC AG, Garching	14,956,884.00 EUR	Holding	92,869,591.86 EUR	-8,961,679.22 EUR	
SUSS MICROTEC LITHOGRAPHY GMBH, Garching	2,000,100.00 EUR	100%	18,441,095.01 EUR	-5,958,259.64 EUR	full
SUSS MICROTEC TEST SYSTEMS GMBH, Sacka	511,291.88 EUR	100%	8,024,520.31 EUR	34,035.80 EUR	full
SÜSS MICROTEC LAB. EQUIPMENT GMBH, Singen (*)	26,000.00 EUR	100%	63,064.13 EUR	2,142,557.52 EUR	full
SUSS MICROTEC LTD., Wokingham Berkshire (*)	£10,000.00	100%	£1,465,495.00	£53,644.00	full
SUSS MICROTEC KK, Yokohama	30,000.00 TJPY	100%	311,155.00 TJPY	-140,203.00 TJPY	full
SUSS MICROTEC S.A.S., St. Jeoire	1,275,000.00 EUR	100%	1,809,655.55 EUR	-760,228.83 EUR	full
SUSS MICROOPTICS S.A., Neuchatel (*)	500,000.00 CHF	85%	263,956.74 CHF	-236,043.26 CHF	full
SUSS MICROTEC INC., Waterbury	$105,000.00	100%	$13,819,328.00	-$5,087,218.00	full
SUSS MICROTEC (Taiwan) Company Ltd., Hsin Chu (*)	5,000,000.00 NTD	100%	8,927,978.00 NTD	3,927,978.00 NTD	full
SUSS MICROTEC Company Ltd., Shanghai (*)	1,655,320.00 CNY	100%	1,980,669.90 CNY	325,349.90 CNY	full
IMAGE TECHNOLOGY INC., Palo Alto (*)	$24,287.00	100%	$5,877.00	-$920,924.00	full
MFI TECHNOLOGIES Group (*)	$2,737,476.00	100%	-$3,795,200.00	-$356,056.00	full
HUGLE LITHOGRAPHY INC., Sunnyvale (*)	$1,190,442.00	53.1%	n/a	n/a	at equity
SUSS MICROTEC COMP. LTD, Bangkok (*)	4,000.00 TTHB	49%	10,697.00 TTHB	470.00 TTHB	at equity
KARL SÜSS GESCHÄFTSFÜHRUNGS-GMBH, Garching (*)	50,000.00 EUR	100%	40,940.42 EUR	-180.94 EUR	at cost
Zentrum für Technologiestrukturentwicklung, Glaubitz (*)	51,129.19 EUR	10%	n/a	n/a	at cost
ELECTRON MEC. S.R.L., Milan (*)	n/a	10%	n/a	n/a	none

The consolidated group 2003 was enlarged by the Sales companies in China and Taiwan. Both companies were founded in 2003 through cash contribution and are fully-owned by SUSS MicroTec AG.

II.6 Acquisitions

No acquisition took place In 2003. In prior year 2002, the following acquisition was performed:

Operations of BLE GmbH, Singen

With the purchase agreement dated January 16, 2002, the entity Karl Süss GmbH acquired the operation of the insolvent BLE 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 Süss 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 BLE GmbH were hired.

II.7 New Accounting Standards

FIN 46

In January 2003 FASB announced FIN 46," Consolidation of Variable Interest Entities". With this interpretation clarification is 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 included in the consolidated financial statement. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the participating parties. This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. FIN 46 is effective for reporting periods beginning after June 15, 2003. On December 24, 2003, FIN 46 "Revised" was announced. The Company plans to adopt the interpretation in the first quarter 2004. The Company believes, that the adoption of FIN 46 will not have a material impact on the Company's financial statements.

SFAS 150 – Accounting for Certain Financial Instruments with Characteristics of Liabilities or Equity or both

In May 2003, the FASB issued SFAS NO. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances), many of which were previously classified as equity. It also addresses questions about the classification of certain financial instruments that embody obligations to issue equity shares. The statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS NO. 150 did not have a material impact on the Company's financial statements.

EITF 00-21 „Revenue Arrangements with Multiple Deliverables"

In July 2003, the Emerging Issues Task Force (EITF) issued an agreement concerning Issue 00-21 Revenue Arrangements with Multiple Deliverables. This rule sets criteria for the recognition of revenues by such contracts that include several components. Revenue recognition under EITF 00-21 is only permitted when a fair value of the not delivered goods is available and the individual part of the contract alone is valualble for the purchaser. EITF 00-21 details how to separate the total sales of an order into the individual components. This agreement has to be applied by the Company for all quarters ending after June 15, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's 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.

Convertible Bond: To determine the fair value of the loans derived from the convertible bond, the existing interest was compared with a benchmark interest rate that would be used by a financial institute for a comparable loan. In addition to assumptions concerning the actual rating of the company, premises were that this loan is unsecured and also subordinated. The lower fair value of 1.4 EUR million of the loan is compensated by the fair value of the attached conversion rights.

Derivative instruments are reported at their market values.

The estimated market values for the financial instruments of the Group as of 31 December 2003 are set forth in the following table:

	2003 Book Value	2003 Market Value	2002 Book Value	2002 Market Value
Cash & Cash equivalents	26,785	26,785	16,914	16,914
Accounts Receivable	23,606	23,606	34,105	34,105
Current bank obligations	-3,154	-3,154	-3,531	-3,531
Long-term financial debt (including short-term portion)	-13,772	-14,144	-18,047	-18,843
Convertible bond	-11,642	-10,233	0	0
Total	**21,823**	**22,860**	**29,441**	**28,645**

III.2 Derivative Financial Instruments

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

Derivatives are not used for any type of speculation.

Derivatives at year end 2003:

	2003 Nominal Volume	2003 Market Value in TEUR	2002 Nominal Volume	2002 Market Value in TEUR
Sale of USD (in k USD)	5,621	599	3,093	517
... up to one year	5,261	556	2,693	450
... due until 2004	360	43	400	67
Sale of Yen (in Mio JPY)	28.5	0,0	0,0	0,0
... up to one year	28.5	0,0	0,0	0,0
Purchase of USD (in k USD)	400	-25	155	-11
... up to one year	400	-25	155	-11

The fair market values of Derivatives are determined by using official price fixings. At year end, the Derivatives are classified as other current assets or other liabilities depending on a positive or negative fair market value. Above listed are all Derivatives that existed 31 Dec 2003. The potential risks are derived from fluctuation of currencies and the creditworthiness of the contract partner. We use only German banks with excellent ratings as partners.

III.3 Accounts Receivable

Figures for 2003:

	2003	2002
Accounts Receivable – gross	25,461	35,628
Doubtful debts reserves	-1,855	-1,523
Accounts Receivable – net	**23,606**	**34,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

III.4 Other current Receivables and Assets

As „available for sale“ following SFAS NO. 115 we include shares of JMAR Technologies, Inc. which we received within the Sale of patents and X-Ray technology in 2001.

The shares were valued at the official share price. The unrealized gain of TEUR 47 was assigned to the other comprehensive income whilst the value of the shares of TEUR 110 (2002: TEUR 63) is included in the other current assets.

Following positions are included:

	2003	2002
Turnover Tax	548	429
Currency Forwards	604	505
Deposits paid	208	476
Tax prepayments	4,180	5,560
Others	1,063	2,279
Other current assets	**6,603**	**9.249**

III.5 Inventories

Breakdown of inventories:

	2003	2002
Materials and Supplies	18,767	21,445
Work in Process	12,668	12,154
Finished Goods	6,788	8,965
Demonstration Equipment	10,745	11,981
Merchandise	162	410
Inventory reserves	-7,230	-6,893
Inventory -net	**41,900**	**48,062**

III.6 Prepaid expenses

Prepaid expenses include advance payments, for example lease or insurance fees and the deferred costs of the convertible bond.

III.7 Tangible Assets

We refer to the fixed assets movement schedule.

	2003	2002
Depreciation on tangible assets	4,106	4,721

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 VI.2. In addition, the Group leases buildings, office equipment and vehicles, which represent operating leases.

III.8 Intangible Assets and Goodwill

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. Impairments were not necessary neither in 2003 nor in 2002.

Intangible Assets

The other intangible assets as of 31 Dec 2003 consist of patents, licenses and similar rights amounting TEUR 7,305 (2002: TEUR 9,679).

Amortization on the other intangible assets was TEUR 1,965 in 2003 and TEUR 2,200 in 2002, respectively. Extraordinary impairments were not performed neither in 2003 nor in 2002.

Within the implementation of SFAS NO. 142 all other intangible assets were reviewed concerning finite or infinite useful lifetime where we identified no intangible assets with infinite useful lifetime. At the end of the useful lifetime we do not expect residual values.

Based on the existing finite intangible assets we expect the following amortization amounts for the next five years:

	Amount TEUR
2004	1,898
2005	1,848
2006	1,729
2007	1,296
2008	1,138
... Later	9

These estimates may differ from the future effective amounts.

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:

	Amount TEUR	Amount TEUR
	2001 pro forma	2001 as reported
Net income	25,423	21,079
Goodwill-Amortization included	0	4,344
EPS undiluted	1.85	1.53
EPS diluted	1.84	1.53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

III.9 Financial investments

Financial investments consist of the following:

	2003	2002
Equity investments at equity	110	114
Other equity investments	34	34
Financial investments	**144**	**148**

The equity investment in Hugle Lithography Inc., USA (share 53,1%) is consolidated at equity. The investment was TEUR 22 at the end of 2003 (2002: TEUR 22). Business activity in 2003 was not material.

The financial investment in SUSS MicroTec Company Ltd., Bangkok is also consolidated at equity. The investment was TEUR 88 at the end of 2003 (2002: TEUR 92); the adjustment in 2003 was based on currency impacts. Financial information concerning this investment in thousand BAHT (1 EUR = 49.935 BAHT):

	2003	2002
Revenues	29,414	30,321
Expenses	28,807	29,146
Taxes	137	240
Earnings	**470**	**935**
Current Assets	6,483	5,217
Fixed Assets	5,604	6,727
Total Assets	**12,087**	**11,944**
Liabilities	1,390	1,960
Equity	10,697	9,984
Total Liabilities	**12,087**	**11,944**

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.

III.10 Other long term assets

Included positions are:

	2003	2002
Reinsurance pension obligations	1,422	1,395
Deposits	59	256
Loans issued	208	96
Others	212	193
Other long-term assets	**1,901**	**1,940**

IV. Illustration of Balance Sheet Liabilities

IV.1 Financial liabilities

Lines of Credit

The Group entered into an animation contract with a consortium led by Bayerische Hypo- und Vereinsbank. Until 30 Apr 2005 a line of credit amounting EUR 11 million is granted as long as certain financial covenants are met. Besides Bayerische Hypo- und Vereinsbank further part-

ners are Bankhaus Reuschel & Co and ING BHF Bank. At 31 Dec 2003, the line is utilized by TEUR 590 due to a loan from Bankhaus Reuschel & Co. The Group has further domestic and foreign lines of credit with different financial institutions. The total lines and their utilization is set forth below:

	2003	2002
Credit line	16,923	19,431
Utilization	3,730	3,531
Open credit line	**13,193**	**15,900**

Current bank liabilities

Current bank liabilities at 31 Dec 2003 amounted TEUR 3,154 compared to TEUR 3,531 at Dec 31, 20002. In addition to the utilization of lines of credit, further bank overdrafts of TEUR 13 existed. The average interest rate of the existing lines of credit was 6.16% in 2003 (2002: 6.05%).

Long-term financial liabilities

Breakdown of the financial liabilities:

	2003	2002
Convertible bond	11,642	0
Long-term debt with third parties	13,772	18,047
Total long-term debt	25,414	18,047
Less current installments	2,991	3,546
Long-term debt excluding current installments	22,423	14,501

In December 2003, bank loans of nominal TEUR 1,432 were collateralized by land charges. As security for the bank loans of nominal TEUR 10,175, SUSS MicroTec AG pledged its shares in SUSS MicroTec Lithography GmbH, SUSS MicroTec S.A.S. and SUSS MicroTec Inc.

Bank loan status at the end of the year:

	2003	2002	Interest Rate	Maturity
Bank Loan I (EUR)	3,813	4,449	3.25%	2009
Bank Loan II (EUR)	3,835	4,474	3.75%	2009
Bank Loan III (EUR)	590	1,865	5.45%	2003
Bank Loan IV (EUR)	735	882	3.75%	2009
Bank Loan V (USD) in EUR	1,025	1,518	8.42%	2007
Bank Loan VI (USD) in EUR	302	467	8.42%	2007
Bank Loan VII (USD) in EUR	981	1,514	9.39%	2007
Other Loans < EUR 1 million	2,491	2,878		
Total	**13,772**	**18,047**		
... thereof due short-term	2,991	3,546		
... thereof due long-term	10,781	14,501		
...due in 2003	2,991			
2005	2,450			
2006	2,499			
2007	1,955			
2008	1,663			
...later	2,214			
	13,772			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

With approval from the Supervisory Board, at 4 Nov 2003 SUSS MicroTec AG issued convertible bonds and bonds with warrants amounting EUR 11,642,000, both unsecured.

EUR 11,268,730 are attributed to a convertible bond to be repaid in two similar portions Oct 31, 2005 and 30 Apr 2006 with an interest rate of 6% p.a. as long as no conversion of up to 1,119,810 shares takes place in the meantime. The conversion price per share is EUR 10,063075, SUSS can enforce conversion of up to 30% of the nominal value in case that the share price exceeds within 23 of 25 consecutive days 140% of the conversion price. Conversion of up to 50% of the nominal value can be enforced when the share price exceeds within 23 of 25 consecutive days 200% of the conversion price.

EUR 373,270 are attributed to a bond with warrants to be repaid Oct 31, 2008 with an interest rate of 6% p.a. as long as no conversion of up to 373,270 shares takes place in the meantime. The exercise price per share is EUR 10,566229 and therefore 5% above the conversion price where additional EUR 9,566229 have to be paid in cash for each share whilst 1.00 EUR per share is paid through presentation of one bond at a nominal value of EUR 1.00. From 4 Nov 2004 on, SUSS can enforce conversion of up to 33 1/3% of the nominal value in case that the share price exceeds within 20 consecutive days 135% of the conversion pr ice. Conversion of up to 100% of the nominal value can be enforced when the share price exceeds within 20 consecutive days 200% of the conversion price.

IV.2 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:

	2003	2002
Domestic liablities	3,461	3,520
... thereof short-term	212	223
foreign liabilities	334	283
... thereof short-term	2	0
Total	**3,795**	**3,803**
... thereof short-term	**214**	**223**

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:

	2003	2002
Discount factor	5.25%	5.5%
Salary increase	0,0%	0.0%
Pension increase	1.0%	1.0%
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:

	2003	2002
Reconciliation of Projected Benefit Obligation		
Projected Benefit Obligation as of Jan 01	**3,520**	**3,292**
Service cost	9	2
Interest cost	186	206
Actuarial (gains) losses	24	241
Benefit payments	-278	-267
Projected Benefit Obligation as of Dec 31	**3,461**	**3,474**
Accumulated Benefit Obligation as of Dec 31	**3,461**	**3,474**
Reconciliation of unfunded status		
Projected Benefit Obligation as of Dec 31	**3,461**	**3,474**
Plan assets	0	0
Funded status	**3,461**	**3,474**
Unrecognized transition amount	-71	-142
Unrecognized prior service cost	-18	-23
Unrecognized net (gain) or loss	-96	36
	3,276	3,345
Additional minimum liabilitiy	185	129
... thereof intangible assets	89	123
... thereof Other Comprehensive Income	96	6
Accrued pension liability	**3,461**	**3,474**
Determination of Net periodic pension cost		
Service cost	9	2
Interest cost	186	206
Amortization of transition amounts	36	36
Unrecognized prior service cost	1	6
Amortization of actuarial (gain) or loss	1	-3
Net periodic pension cost	**233**	**240**

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 2003, the expenses of the Group for the profit-sharing plan amounted to TUSD 0 (2002 TUSD 0) and for the 401 (k) Plan TUSD 0 (2002 TUSD 196).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

IV.3 Other current liabilities

Included are the following positions:

	2003	2002
Provisions for Income Taxes	1,005	1,625
Deposits received	2,688	3,409
Accrued personnel expenses	3,865	5,606
Bonuses and Commissions	1,950	4,169
Third party services	1,145	2,400
Turnover Tax	329	2,019
Warranty provisions	1,275	1,735
Deferred Income	825	593
Others	3,847	1,876
Other current liabilities	**16,929**	**23,432**

In 2002, restructuring costs of TEUR 2,102 were included in the accrued personnel expenses.

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, 2003	**1,735**
Additioxns	682
Disposals	1,142
Ending Balance Dec 31, 2003	**1,275**

IV.4 Other long-term liabilities

The other long-term liabilities are as follows:

	2003	2002
liabilities to Suppliers	221	351
Loans from employees	96	103
Others	200	281
Other long-term liabilities	**517**	**735**

IV.5 Equity

The registered share capital of SUSS MicroTec AG is EUR 14,956,884 and is divided in 14,956,884 million shares with a nominal value of EUR 1.0 per share.

We refer to the development of shareholders' 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.

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 increase 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. Due to the retirement of several employees in 2003 further stock options expired. As a consequence the conditional capital decreased to an amount of 5,807,296 as of 31 December 2003.

	2003	2002
Subscribed capital	14,957	14,957
authorized capital	7,466	7,466
conditional capital	5,807	5,823

Other Comprehensive Income (OCI)

Development of the OCI:

		2003	2002
Foreign currency conversions	-3,358	-166	
Minimum pension liabilities	-46	-4	
OCI as of January 01	**-3,404**	**-170**	
Pre-tax changes			
Foreign currency conversions	-2,255	-3,192	
Minimum pension liabilities	-23	-67	
Unrealized gain from securities	47	0	
Tax effects			
Foreign currency conversions	0	0	
Minimum pension liabilities	9	25	
Unrealized gain from securities	0	0	
OCI as of December 31	**-5,626**	**-3,404**	

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 share price at the date of execution exceeds the subscription price by at least 0.625% per full calendar month (7.5% per year) between the end of the purchase period and the time of execution and the share price development at least performs with the development of the NEMAX Technology Index or another Index that may supersede this Index

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

- 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 650 (2001: TEUR 1,430) was allocated to the capital reserve in connection with the plan, thereby affecting the operating result.

Based on the authorized capital approved at the General Shareholders´ Meeting of 14 June 2002, in 2003 in total 216,500 subscription rights with a subscription price of EUR 1.11 were issued. 6,500 subscription rights thereof expired due to resignations of employees. Thus at year end 493,500 subscription rights were remaining.

In 2002, no new options were granted. As of 31 Dec 2003, in total 523,796 (2002: 322,800) subscription rights were existing.

The weighted average market value of EUR 1.25 of the stock options granted in 2003 was estimated using the Black-Scholes Options Evaluation model. In doing so, the following assumptions were made:

	2003	2002	2001
Expected average term	6 years	5 years	5 years
Risk-free interest rate	3.23%	---	4.61%
Expected volatility of SUSS shares	38%	---	57%
Expected dividend yield	0%	---	0%

Development of Stock Options:

	Anzahl	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**
granted	216,500	1,11
exercised	0	
expired	15,504	9,31
31.12.2003	**523,796**	**15,68**
exercised	**24,400**	
negotiable	**283,500**	

Overall summary:

Subscription price level	Number of stock options	weighted average subscription price EUR	weighted average term of maturity month
under EUR 10,00	210,000	1.11	65
EUR 10,00 - EUR 19,99	94,140	13.00	5
EUR 20,00 - EUR 24,99	--	--	--
EUR 25,00 - EUR 29,99	127,656	27.31	23
EUR 30,00 - EUR 35,99	68,000	35.44	29
EUR 36,00 and above	24,000	36.00	17
	523,796	**15.68**	**37**

Earnings per Share

The following table illustrates the undiluted and diluted earnings per share.

	2003	2002
Numerator		
Net Income / loss	-14,553	-8,938
Denominator		
Weighted average of issued shares		
undiluted	14,956,884	14,893,023
Dilution	0	0
diluted	14,956,884	14,893,023
Earnings per Share in EUR		
undiluted	**-0.97**	**-0.60**
diluted	**-0.97**	**-0.60**

Although being in the money, 1,119,810 shares from the issuance of the convertible bond and 373,270 shares from the issuance of the bond with warrants were not considered in determining the diluted earnings per share since they would have caused negative dilution.

Although being in the money, the in 2003 issued subscription rights were not considered in determining the diluted earnings per share since they would have caused negative dilution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

V. Illustrations to the Income Statement

V.1 Other Income and Expenses

The item "Other Income and Expenses" consists of the following:

	2003	2002
Cancellation Fee Income	593	581
Reversal of accruals	997	1,461
Sale of Patents	0	0
Insurance Payments	51	14
Lease Income	47	81
Subsidies	320	400
Others	875	617
Other Income	**2,883**	**3,154**
Cancellation Fee Expense	479	32
Doubtful Accounts allowance	33	-236
Bad debts allowance	621	1,941
Asset disposal	551	289
Other taxes	165	64
Subsidy Repayments	47	0
Others	128	1,465
Other Expenses	**2,024**	**3,555**
Total	**859**	**-401**

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:

	2003	2002
German corporate tax	1,764	-2,089
German trade income tax	1,523	275
Foreign corporate tax	-1,788	-6,053
Subtotal	**1,499**	**-7,867**
Utilization/Capitalization deferred taxes on loss carry-forwards	-4,900	-365
Others	0	0
Total	**-3,401**	**-8,232**
... current Taxes	**-1,851**	**-4,724**
German	930	660
Foreign	-2,781	-5,384
... deferred Taxes	**-1,550**	**-3,508**
German	-2,542	-2,475
Foreign	992	-1,033

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

	2003	2002
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	**-17,954**	**-17,170**
Expected income taxes	**-6,704**	**-6,411**
Different foreign tax rates	753	-1,166
Full valuation allowance on deferred taxes due to losses at MFI Technologies	0	0
Non-tax deductible expenses for acquired in-process research and development (IPR&D)	0	0
Non-tax deductible goodwill amortization in the group	0	0
Trade tax imputation credit of interests on long-term loans	92	88
Devaluation of inter-group loan items	156	-574
Other non-tax deductible expenses	281	12
Loss carry-forwards and loss carry-backs not capitalized but used	0	-674
Valuation Allowance on Loss Carry-Forwards	1,793	453
Others	228	40
Effective Taxes	**-3,401**	**-8,232**

In the reported period 2003 a valuation allowance on deferred tax assets on loss carry forwards amounting TEUR 1,793 was performed. The main portion of TEUR 1,354 is attributable to our affiliate in Japan and based on the temporary availability of these loss carry forwards.

Through the transfer of intangible assets from Canada to Germany, fully allowed deferred tax assets on Loss Carry-Forwards amounting TEUR 674 were utilized in 2002.

Deferred taxes are calculated as following:

	Assets 2003	Assets 2002	Liabilities 2003	Liabilities 2002
Bonus provisions	101	162		
Pension accruals	1,277	1,269		
Vacation provisions	143	258		
Other accruals and provisions	620	645		
Currency forwards			232	195
Convertible bond			222	0
Goodwill	5	5		
SAB 101 adjustments	156	0		
Intercompany profit eliminations	2,218	3,060		
Various amortization/depreciation	0	0	616	1,029
Others	639	501		
Tax Loss carry-forwards (LCF)	9,108	5,656		
./. Valuation allowance on LCF	-3,626	-2,032		
Total	**10,641**	**9,524**	**1,070**	**1,224**
Deferred taxes – net	**9,571**	**8,300**		
... thereof short-term	2,091	3,405		
... thereof long-term	7,480	4,895		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

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 VI.2.

	2003	2002
Rental income	1,828	1,786

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.2 Pension Liabilities, german plans.

	2003	2002
Salaries, Pensions	254	274
Consulting	0	43
Total	**254**	**317**

CMS

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

	2003	2002
Consulting	86	138

Expenses to related parties in total

	2003	2002
Salaries, Pensions	254	274
Consulting	86	181
Rental Income	1,828	1,786
Total	**2,168**	**2,241**

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:

	2003	2002
Salaries, wages	33,532	44,887
Social insurance contributions	6,287	8,413
Old-age provisions	472	961
Total	**40,291**	**54,261**
Advertising Expenses	2,880	2,742
R&D Expenses	10,496	12,537

Direct material expenses in 2003 were TEUR 35,921 (2002: TEUR 47,961).

VI.2 Contingencies

Leasing

The company leases various equipment for manufacturing, General & Administration through operating as well as financial lease agreements.

The maturity of the lease obligations is set forth below:

	Financial Lease	Operating Lease	thereof Operating Lease with affiliated Parties
Expenses 2002	--	3,183	1,786
Expenses 2003	--	2,633	1,828
... due in 2004	185	2,573	1,734
2005	156	2,366	1,667
2006	148	2,208	1,654
2007	102	1,498	1,340
2008	89	37	1,340
... later	74	6,451	6,451
Total	**754**	**15,133**	**14,186**
thereof interest	123		
Liability	**631**		
... due short-term	158		
... due long-term	473		

Other contingencies

	2003	2002
Purchase commitments	5,492	2,150
Note liability	0	0
Repurchase guarantees	133	1,577
Othes	690	166
Total	**6,315**	**3,893**

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

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

Due to the market conditions, in the 4th quarter 2002 a restructuring plan with layoffs was initiated. In total TEUR 2,102 were accrued at year end 2002 for this restructuring plan. The related layoff of 112 people was performed during the 1st quarter of 2003. The layoffs took place in the following departments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

	Employees
Administration	12
Sales and Marketing	14
Operations	72
Research and Development	14
Total	**112**

The accrual was utilized by TEUR 1,911 in 2003 whilst TEUR 190 were reversed.

In 2003 further restructuring measures in Germany were necessary. The Singen operations were transferred to Vaihingen, and Dresden needed to initiate layoffs. Severance payments of TEUR 476 occurred in 2003 related to this additional restructuring. These further layoffs took place in the following departments:

	Employees
Administration	4
Sales and Marketing	14
Operations	23
Research and Development	8
Total	**49**

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 semi-conductor industry. In this respect the products delivered are used in similar ways in both industries.

In fiscal year 2003 and 2002, no customer contributed more than 10% to the Group's sales.

	2003	2002
External Sales – Products		
Germany	39,877	55,462
USA	30,212	41,648
France	5,844	11,719
Asia	8,721	10,125
Rest of World	1,865	1,556
Total	**86,519**	**120,510**
External Sales – Service		
Germany	2,787	2,516
USA	1,843	2,155
France	714	741
Asia	416	1,099
Rest of World	336	494
Total	**6,096**	**7,005**
Long-term Assets		
Germany	21,400	21,460
USA	5,046	8,085
France	2,470	2,798
Asia	1,243	2,476
Rest of World	698	956
Consolidation	-2,092	-2,669
Total	**28,765**	**33,106**
Goodwill		
Germany	9,082	9,082
USA	16,169	16,169
France	1,166	1,166
Asia	187	187
Rest of World	1,405	1,405
Total	**28,009**	**28,009**

VI.5 Executive Board and Supervisory Board

Executive Board of the group´s ultimate parent company

In fiscal year 2003, the members of the Executive Board were:

Dr. Franz Richter, Dipl.-Ing, Eichenau (Chairman)
Responsibilties: Sales and Marketing, Human ressources, Investor relations, Research and Development, Legal affairs, Mergers and Acquisitions, Operations

Stephan Schulak, Dipl.-Betriebswirt FH, Rohrbach
Responsibilties: Finance, IT, Risk Management

Compensation for the Executive Board includes fixed and variable components. Fixed components are the monthly salaries, allowances for social insurance and a company car to be used also for private purposes. As short term variable component the Executives also receive an annual bonus dependant on individual targets. Mid Year Adjustments on these targets are barred. The compensation includes furthermore stock option plans as a long term variable, profitability-oriented component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

The overall paid compensation of the Executive Board in 2003 amounted EUR 556,723 and consisted of fixed components as mentioned above only. For the variable compensation EUR 63,349 were accrued and are expected to be paid in 2004. Furthermore, 40,000 subscription rights were granted to each member of the Executive Board. The fair market value of each subscription right was EUR 1,2490 at the time they were granted.

The compensation for each member of the Executive Board is outlined below.

	Dr. Franz Richter	Stephan Schulak
Compensation		
Fixed	330,090	226,633
variable	38,348	25,001
Total	**368,438**	**251,634**
Stock Options		
Number	40,000	40,000
Exercise Price	1.11	1.11

Furthermore, due to the subscription rights granted to Executives in 1999, 2000, 2001 and 2003, 313 TEUR were charged at the Holding to expenses. There was not any payment to the executives related to that.

For a former member of the Executive Board a pension reserve of TEUR 20 is built up as of 31 December 2003.

Supervisory Board

In fiscal year 2003, 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

Horst Görtz, Neu-Anspach, Businessman
Further assignments:
Ultimaco Safeware AG, Oberursel (Chairman Supervisory Board)
GITS AG, Bochum (Chairman 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)
MicroParts Gesellschaft für Mikrostrukturtechnik mbH, Karlsruhe (Member of the Supervisory Board)
Solid Energy, Itzehoe (Member Advisory Council)
Sensor Dynamics, Graz (Member Board of Directors)

Dr. Christoph Schücking, Frankfurt/Main, Attorney at Law and Notary
Further assignments:
Lambda Physik AG, Göttingen (Member Board of Directors)
Bankhaus B. Metzler seel. Sohn & Co. KgaA, Frankfurt a. M. (Member of Partner Council)

Kennametal Europe Holding GmbH, Fürth i. B. (Member Board of Directors)
Kennametal Hertel Europe Holding GmbH, Fürth i. B. (Member Board of Directors)
Freudenberg & Co., Weinheim / Bergstraße (Member of Partner Council)

Dr. Thomas Sesselmann, Tittmoning, CEO
Further assignments:
Heidenhain Holding Inc., Wilmington, DE., USA (Member Board of Directors)
Heidenhain K.K., Tokyo, Japan (Member Board of Directors)
Heidenhain Holding K.K., Tokyo, Japan (Member Board of Directors)
SUMTAK Corporation, Tokio, Japan (Member Board of Directors)
ACURITE Inc., Jamestown, NY., USA (Member Board of Directors)

In the year under review, the remuneration of the members of the Supervisory Board totalled EUR 42,182. The chairman waived his remuneration. The members received 7,669 TEUR each whilst the deputy chairman received 11,504 TEUR.

Shares and options of the executive bodies at year end 2003:

	Shares	Options
Dr. Franz Richter	400,000	105,000
Stephan Schulak	0	40,286
Dr. Winfried Süss	1,025,000	0
Thomas Schlytter-Henrichsen	6,909	0
Horst Görtz	3,894	0
Prof.Dr. Anton Heuberger	0	0
Dr. Christoph Schücking	500	0
Dr. Thomas Sesselmann	0	0

Disclosures following section 6.6 of German Corporate Governance Codex

At 23 Jan 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 7,000 shares of the company at a price of EUR 2,75 per share.

At 24 Jan 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 13,000 shares of the company at a price of EUR 2,76 per share.

At 9 Apr 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 4,500 shares of the company at a price of EUR 1,60 per share.

At 9 Apr 2003 Maritta Süss, the wife of the Chairman of the Supervisory Board, Dr. Winfried Süss, acquired 5,000 Shares of the company at a price of EUR 1,75 per share.

At 10 Apr 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 20,500 shares of the company at a price of EUR 1,75 per share.

At 11 Apr 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 10,000 shares of the company at a price of EUR 1,94 per share.

At 14 Apr 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, acquired 10,000 shares of the company at a price of EUR 1,985 per share.

At 7 Nov 2003 Dr. Winfried Süss, Chairman of the Supervisory Board, returned 79,780 shares of the company back to his wife since they were credited to his deposit by mistake.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2003

VI.6 Employees

In 2003, on average the SUSS group had 737 (2002: 941) staff members.

Year End numbers:

	2003	2002
Administration	104	136
Sales and Marketing	236	262
Operations	376	480
Total	**716**	**878**

The companies consolidated at equity had 15 (2002: 19) staff members.

VI.7 Corporate Governance

The Executive Board and the Supervisory Board of SUSS MicroTec AG disclosed in October 2003 the required declaration concerning the German Corporate Governance Codex (version 4 Jul 2003) which is continuously available on the webpage of the group (www.suss.de).

VI.8 Disclosures following German Law § 160 Nr. 8 AktG

Julius Bär Asset Management & Investment Funds, Zurich, Suisse, has informed the company on September 11, 2003, that Julius Baer Multistock, Luxemburg, owns 5.16% of the company (equals 771,705 shares).

The Capital Group Companies, Los Angeles, USA, has informed the company on March 25, 2003, that they fell short of 5% and own now 4.85% (equals 724,695 shares) of the company.

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 the company.

Garching, 15 Mar 2004
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, 2003, and the related consolidated statement of income, statement of changes in equity and cash flows as well as notes for the year 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 Group 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.

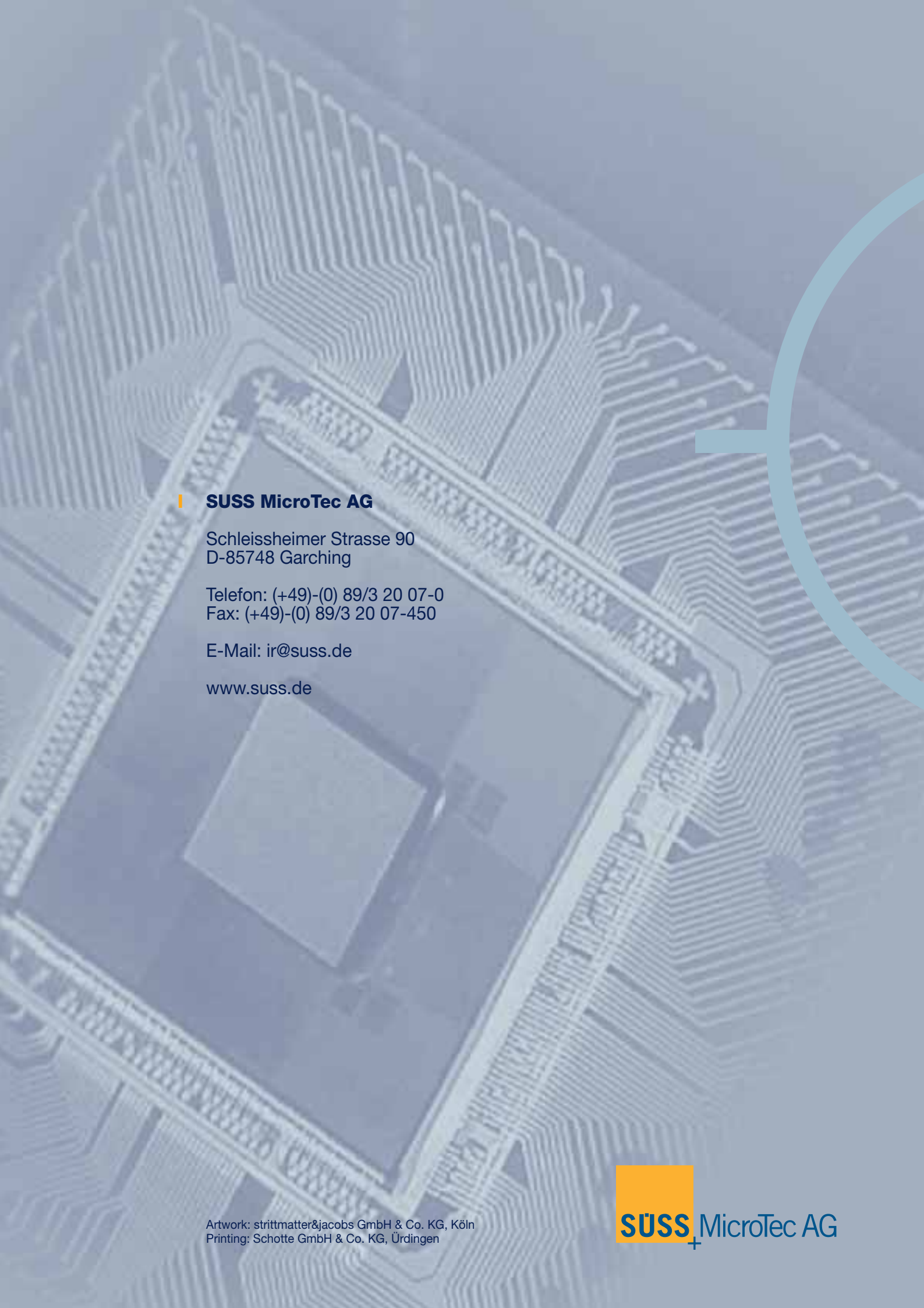
In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respect, the net assets and financial position of SUSS MicroTec AG as of December 31, 2003, and of its result of operations and its cash flow for the year then ended in conformity 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 SUSS MicroTec AG, for the business year from January 1 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the 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 group management report for the business year from January 1 to December 31, 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Munich, March 16, 2004

PRICEWATERHOUSECOOPERS
GmbH
Wirtschaftsprüfungsgesellschaft

(Krawietz)	(Eichler)
Wirtschaftsprüfer	Wirtschaftsprüfer



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