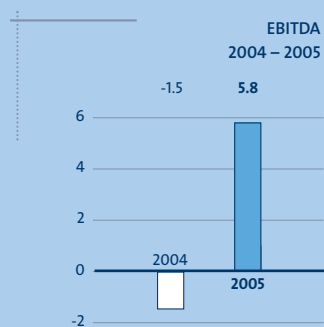
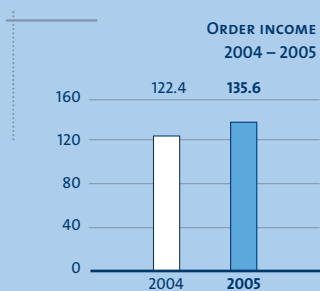
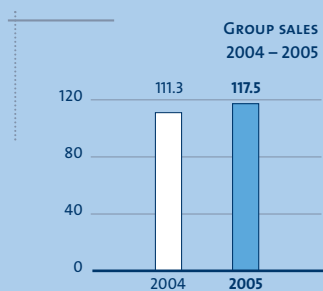


Annual Report 2005



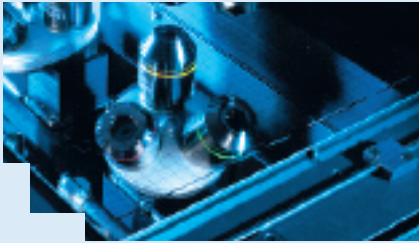
SUSS MICROTEC KEY FIGURES

| in Euro million | 2005 | 2004 | Change in % |
|----------------------------------|-------|--------|-------------|
| Sales and orders position | | | |
| Order income | 135.6 | 122.4 | 10.8% |
| Order backlog as of 31.12 | 85.1 | 65.6 | 29.7% |
| Total sales, gross | 117.5 | 111.3 | 5.6% |
| <i>Sales Europe</i> | 41.6 | 32.5 | 27.9% |
| <i>Sales North America</i> | 42.1 | 31.8 | 32.5% |
| <i>Sales Japan</i> | 7.7 | 15.6 | -50.9% |
| <i>Sales Rest of Asia</i> | 26.1 | 30.9 | -15.5% |
| <i>Sales Rest of the world</i> | 0.0 | 0.5 | -100.0% |
| Sales margin in % | -7.0% | -14.7% | - |
| Gross earnings | 47.0 | 47.2 | -0.5% |
| Gross margin | 40.0% | 42.4% | - |
| Costs of sales | 70.6 | 64.1 | 10.1% |
| R&D-costs | 9.0 | 8.5 | 5.9% |
| EBITDA | 5.8 | -1.5 | 481.6% |
| EBITDA margin | 4.9% | -1.4% | - |
| EBIT | -4.2 | -8.8 | 51.8% |
| EBIT margin | -3.6% | -7.9% | - |
| Earnings after tax | -8.2 | -16.4 | 49.8% |
| Earnings per share | -0.52 | -1.08 | 51.9% |
| Balance sheet | | | |
| Shareholders' equity | 84.2 | 83.4 | 0.9% |
| Equity ratio | 53.5% | 49.5% | - |
| Return on equity | -9.8% | -19.6% | - |
| Balance sheet total | 157.3 | 168.4 | -6.6% |
| Net cash | 7.5 | -1.0 | 824.6% |
| Free cash flow | 1.9 | -1.5 | 227.7% |
| Other key figures | | | |
| Investments | 6.0 | 3.3 | 83.7% |
| Investment ratio | 5.1% | 2.9% | - |
| Depreciation and amortisation | 10.0 | 7.2 | 38.3% |
| Employees as at 31.12. | 674 | 731 | -7.8% |



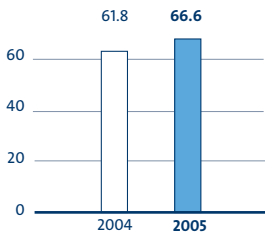
SEGMENTE

LITHOGRAPHY



Development, production and distribution of the production lines Mask Aligner, Coater and Developer. This segment represents clearly more than half of the total business of the SUSS Group and has the greatest growth potential. Markets targeted: advanced packaging microsystems technology, and compound semiconductors.

SEGMENT SALES
2004 – 2005

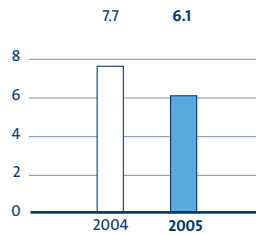


SUBSTRAT BONDER



Development, production and distribution of Substrate Bonder, which connects two or more carrier materials (substrates) – usually wafers – with each other. Currently in the market penetration phase. Applications for wafer bonding will increase in the future. Targeted market: microsystems technology.

SEGMENT SALES
2004 – 2005

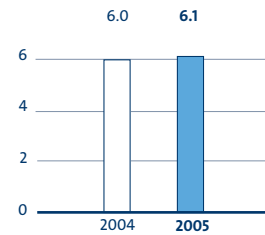


DEVICE BONDER

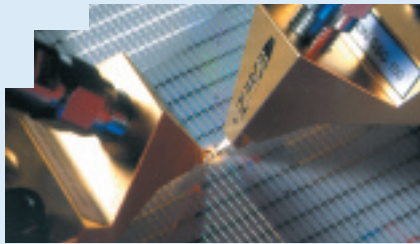


Development, production and distribution of Device Bonder, which connect individual electronic components to one another with very high precision. Due to the technical complexity and small market size, this is the weakest segment of the SUSS Group. Targeted market: compound semiconductors.

SEGMENT SALES
2004 – 2005

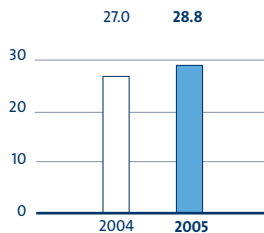


TEST SYSTEMS

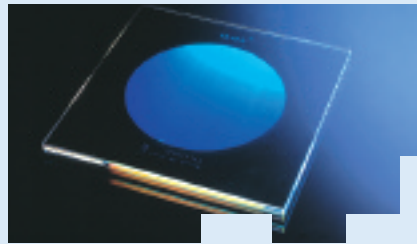


Development, production and distribution of testing and measurement tools. Low level of cyclical business development, moderate but sustained growth. This segment represents approximately one fourth of the business volume of the SUSS Group. Targeted markets: microsystems technology, compound semiconductors, the research areas of chip production.

SEGMENT SALES
2004 – 2005

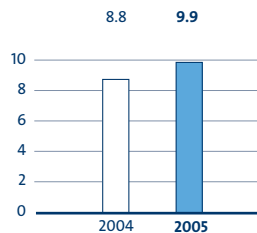


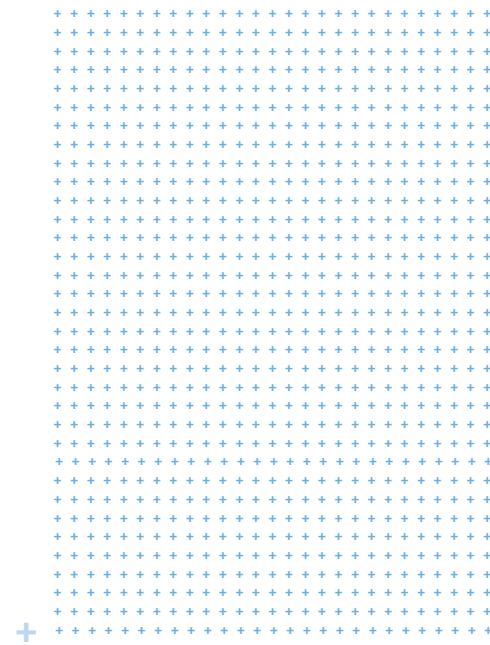
OTHERS



Includes primarily our Mask business for the semiconductor industry in Palo Alto, USA. Micro-optics activities (Neuchâtel, Switzerland) and other divisions are also established here. The C4NP business segment also belongs to this category for the time being – until C4NP reaches a certain sales volume.

SEGMENT SALES
2004 – 2005





CONTENT

FOREWORD

- 04 Foreword by the Management Board
- 06 Report of the Supervisory Board

INVESTOR RELATIONS

- 10 The SUSS MicroTec Share
- 13 Corporate Governance Report
- 17 Corporate Calendar

ABOUT US

- 20 Highlights 2005
- 22 Our Strategy
- 23 Sustainability

CONSUMER MARKETS

- 24 SUSS MicroTec products
- 25 SUSS MicroTec makes life easier

GROUP MANAGEMENT REPORT

- 30 Group Structure and Business Activities
- 31 Management Control, Objectives and Strategy
- 32 Research and Development
- 34 Overview of Business Development
- 42 Earnings, Assets and Financial Position
- 48 Summary Statement on the Economic Position
- 48 Environment
- 49 Events after the Balance Sheet Date
- 49 Risk Report
- 52 Prognosis Report

CONSOLIDATED FINANCIAL STATEMENTS

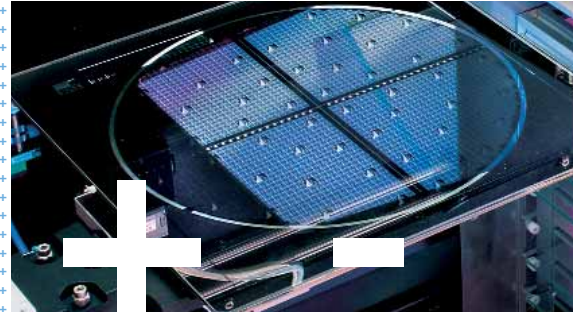
- 58 Consolidated Income Statement
- 59 Consolidated Balance Sheet
- 60 Consolidated Statement of Cash Flows
- 62 Consolidated Statement of Changes in equity
- 64 Analysis of changes in Group intangible, tangible and financial assets 2005
- 66 Analysis of changes in Group intangible, tangible and financial assets 2004
- 68 Segement information by business segment
- 68 Segement information by region
- 70 Notes
- 113 Auditor's Report

114 Glossary

116 Contact



COMPANY PROFILE



SUSS MicroTec is one of the worldwide leading manufacturers of innovative production, processing and testing equipment for the semiconductor industry. The product portfolio includes coating and developing systems, full-field lithography systems, substrate bonders, device bonders as well as test and measurement equipment.

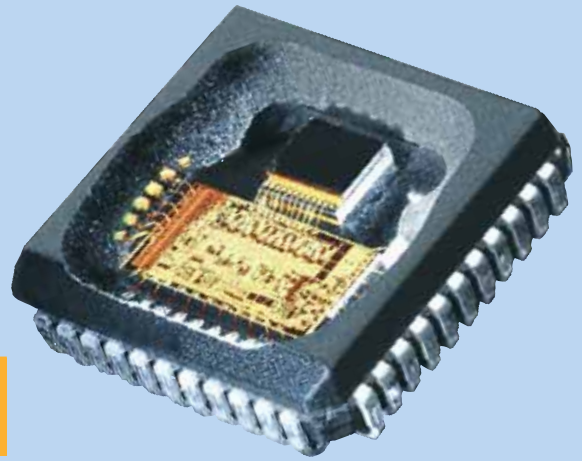
SUSS MicroTec primarily serves attractive market niches such as advanced packaging, microsystems technology and compound semiconductors. To date, over 7,000 systems have been installed worldwide.

The headquarters of SUSS MicroTec are located in Garching near Munich. The group owns six production sites. SUSS MicroTec offers support through numerous sales and service centers in North America, Europe and Asia.

It all started for SUSS in the 1950s with the Mask Aligner. The MA300Plus pictured here is able to produce structures with a "size" of less than one micrometer. A micrometer is one thousandth of a millimeter. Such tiny dimensions demand precision work at the highest level. The same precision work is expected from the sensors which are produced with the help of the Mask Aligner.



From the Mask Aligner...



...via the chip...



...to the airbag

+++ Today, airbags are standard equipment in all motor vehicles. In the automobile industry's continuous attempts to improve passenger safety, airbags are constantly being redeveloped and new designs manufactured.

+++



Dr. Stefan Schneidewind, Chief Executive Officer

FOREWORD BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, EMPLOYEES AND BUSINESS PARTNERS OF SUSS MICROTEC AG,

SUSS MicroTec experienced an eventful year in 2005. In many respects, it was a year of change. The Group underwent a restructuring process which ended in fiscal year 2005 as planned. The necessary closing of the plant in Aßlar (Hessen) was finalized and processes were optimized at the Garching site near Munich and at Vaihingen. The SUSS MicroTec Group has therefore become more efficient and its management has taken up a more modern approach. Cost and write-downs, which have accrued due to all this and to other factors, have burdened our results. In contrast, in the fourth quarter we achieved the highest order entry since the second quarter of 2001, amounting to approximately 51 million euros. Overall, we can consider the year 2006 with confidence. We are convinced that with the current cost basis and pleasing orders situation, we are on the right track for again achieving positive results.

At the close of fiscal year 2005, we converted the accounting system from US-GAAP to International Financial Reporting Standards (IFRS). As a result of this conversion, there are certain changes in the balance sheet and performance ratios compared to previous publications.

In 2005 we achieved approximately 118 million euros in sales, almost 6 percent more than in the previous year (111 million euros). Due to some successful final acceptances of customer projects, we were able to significantly exceed our sales forecast for 2005 of 107 million euros. Order entry, by far the most important success indicator in our industry, was at approximately 136 million euros in 2005. That is 11 percent more than the previous year (122 million euros). The order backlog increased by 30 percent from approximately 66 million euros in the previous year to 85 million euros as of December 31, 2005. These positive developments show the strong demand for SUSS MicroTec products and are representative of the business development of semiconductor suppliers in general.

Since significant extraordinary effects accrued again in 2005, we still did not achieve a positive result. Earnings after taxes were minus 8.2 million euros compared to minus 16.4 million euros in 2004. Operating results (EBIT) were also negative at minus 4.2 million euros (2004: minus 8.8 million euros). We were pleased that fiscal year 2005 – for the first time since 2001 – closed out with a positive EBITDA (5.8 million euros compared to minus 1.5 million euros in 2004).

► FOREWORD BY THE
MANAGEMENT BOARDREPORT OF THE
SUPERVISORY BOARD

Stephan Schulak, Chief Financial Officer

We want to grow profitably over the next several years. We are therefore continuing to focus on our major markets microsystems technology, advanced packaging and compound semiconductors. At the end of 2005, a popular German business magazine identified ten technologies which will find their way into our everyday lives. Equipment and know-how from SUSS MicroTec plays a role in the development and manufacture of almost all of these innovations. Some examples include light-emitting diodes (LEDs), navigation systems in cell phones and driver assistance systems in automobiles. These technologies are only possible thanks to microsystems technology (sensors) or modern chip connections (advanced packaging). For the future, we are planning on annual sales growth averaging 10 percent in our core business.

We envision additional attractive growth opportunities in C4NP: in cooperation with IBM, we are currently developing the production equipment. With advanced packaging C4NP makes chip connection even more efficient and, since it is lead-free, environmentally compatible.

And so we would like to thank all of the dear shareholders, employees and business partners of SUSS MicroTec AG for the confidence they have shown us in the past. We thank our employees for their commitment and their critical and constructive support during the restructuring and future orientation of the company. We thank our shareholders for their loyalty and many years of interest. It is our intention to continue with our intensive investor relations work and provide all of our shareholders with the greatest possible transparency.

Garching, March 2006

Handwritten signature of Dr. Stefan Schneidewind in blue ink.

Dr. Stefan Schneidewind
Chief Executive Officer

Handwritten signature of Stephan Schulak in blue ink.

Stephan Schulak
Chief Financial Officer





+ + Dr. Winfried Süß, Chairman + + + + +

REPORT OF THE SUPERVISORY BOARD

DEAR LADIES AND GENTLEMEN,

The Management Board kept the Supervisory Board up-to-date in the fiscal year 2005 through ongoing written reports and in six joint meetings. The communications were both timely and comprehensive and pertained to the course of business and planning on the part of both the Company and the SUSS MicroTec Group. The Supervisory Board also discussed critical management matters with the Management Board. The Supervisory Board advised the Management Board regarding the above-mentioned matters and monitored its management activities. Within this context, in its meetings dated March 22, June 21, September 26 and December 19, 2005, the Supervisory Board thoroughly discussed with the Management Board any divergences that occurred in the actual course of business including order entry and budgeting and the primary reasons for these variations. The Management Board informed the Supervisory Board of important business transactions, any other circumstances subject to reporting requirements and the steps taken in the area of risk management, as well as commercial risks that had become discernible.

In its meeting of March 22, 2005, in addition to the annual financial statements of 2004, the Supervisory Board concerned itself primarily with the preparations for the General Meeting of June 21, 2005, personnel development at the second management level of the SUSS Group and a restructuring program carried out at SUSS MicroTec Lithography GmbH ("SMTL GmbH").

A meeting of the Supervisory Board held on June 15, 2005 was devoted completely to the strategic orientation of the Group.

Two Supervisory Board meetings took place on June 21, 2005. The first meeting included a discussion of the current business development and the restructuring measures at SMTL GmbH. Decisions regarding personnel matters were also reached. In the second meeting on the same day, the Supervisory Board confirmed its chairman and his deputy chairman and arranged the constitution of the committees.

The main points under consideration by the Supervisory Board on September 26, 2005 were again the ongoing business development and the restructuring program at SMTL GmbH.

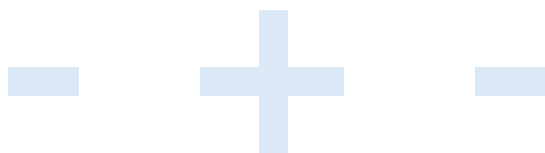
In contrast, the focal points of the Supervisory Board discussions in the December 19, 2005 meeting were the outlook for the 2005 annual financial statements and corporate planning for 2006. Further, the Supervisory Board established a Technology Committee comprising Mr. Heinz, Prof. Dr. Heuberger and Dr. Süß (chairman).

The General Meeting of June 21, 2005 marked Dr. Thomas Sesselmann's resignation from his position on the Supervisory Board. The Supervisory Board thanked him for his many years of dedicated collaboration. The SUSS Group is thankful to Dr. Sesselmann for his many valuable suggestions and his esteemed advice. During the same meeting Mr. Peter Heinz, M.B.A., from Waterbury, Vermont, USA, was elected to replace Dr. Sesselmann as a member of the Supervisory Board.

The Personnel Committee of the Supervisory Board, comprising Dr. Süß as chairman and Mr. Schlytter-Henrichsen and Dr. e. h. Görtz as members, held three meetings in which it dealt with personnel issues relating to the Management Board, prepared the decisions of the Supervisory Board in personnel matters and reported the results of its discussions to the full Supervisory Board.

The Audit Committee of the Supervisory Board, comprising Mr. Schlytter-Henrichsen as chairman and Dr. Schücking and Dr. Süß as members, held three meetings in the past fiscal year in which the following issues, among others, were discussed:

- commissioning of the auditor,
- independence of the auditor,
- compensation of the auditor,
- streamlining measures,
- the C4NP project, and
- financing of the SUSS MicroTec Group (including the capital increase of 2005).



FOREWORD BY THE
MANAGEMENT BOARD▶ REPORT OF THE
SUPERVISORY BOARD

The Audit Committee prepared the decision of the entire Supervisory Board in these matters and informed the full Supervisory Board of the results of its deliberations.

Some of the meetings of the Supervisory Board's committees were held in the form of telephone conferences.

In its meeting of December 19, 2005 the Supervisory Board again examined the efficiency of its activities. During the fiscal year 2005, no conflicts of interest between members of the Supervisory Board and the Company became evident during the work performed by the Supervisory Board.

The annual financial statements as of December 31, 2005, prepared in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements of the Company as of December 31, 2005, prepared in accordance with the international accounting standards designated as IFRS, the management report and the Group management report of the Management Board for fiscal year 2005 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, the auditors selected by the General Meeting and commissioned by the Supervisory Board, and granted an unqualified audit certificate.

The Supervisory Board examined the annual financial statements of the Company as of December 31, 2005, prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements of the Company as of December 31, 2005, prepared pursuant to § 315 a of the German Commercial Code in accordance with the international accounting standards designated as IFRS, the management report and the Group management

report for the fiscal year 2005. The two responsible certified accountants of the auditors also took part in the negotiations of the Supervisory Board regarding the above-mentioned documents. They provided the Supervisory Board with a verbal report on the significant results of their audit. The Supervisory Board discussed the above-mentioned documents and the findings of the auditors with the representatives of the auditors and the Management Board and approved the documents. The Supervisory Board hereby declares that according to the final results of its audit, there can be no objections to the documents it examined. The Supervisory Board has no objections to the audit reports submitted by the auditor. The annual financial statements of the Company as of December 31, 2005 have therefore been adopted. The Supervisory Board is in agreement with the management report for the fiscal year 2005.

The Supervisory Board would like to thank the Management Board and the employees of the Company and its affiliated companies for the commitment they have shown in the fiscal year 2005 to the Company and to the SUSS MicroTec Group.

Garching, March 2006

The Supervisory Board



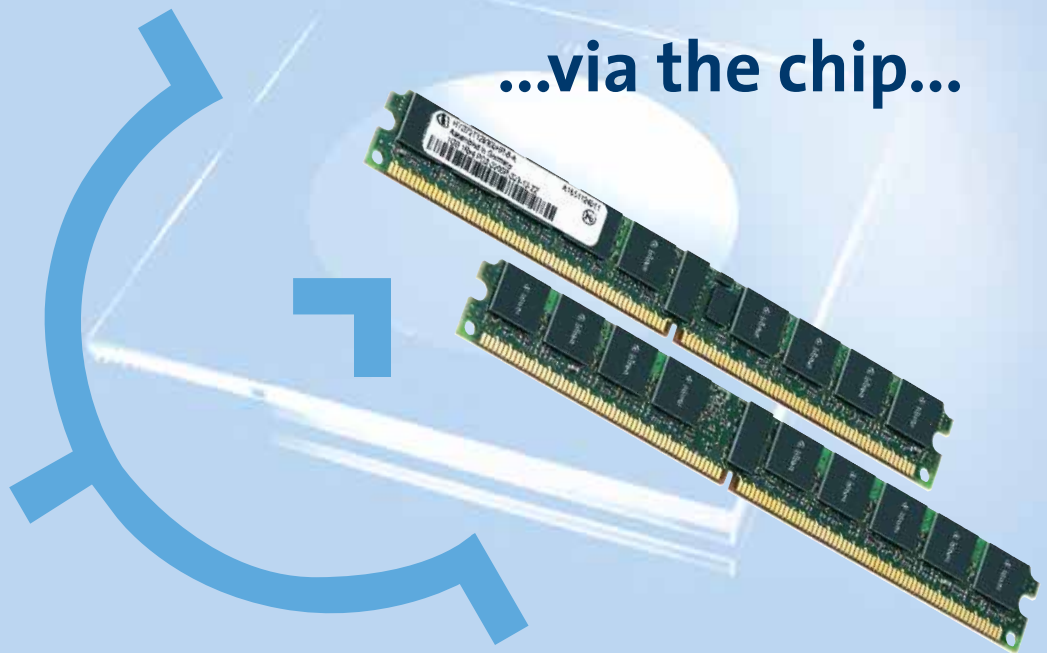
Dr. Winfried Süß
Chairman

The LithoPack300 is the largest system in the SUSS MicroTec product portfolio. The process steps of coating, exposure and developing are united here in one cluster. Wafers with a diameter of 300 millimeters, on which thousands of chips are located, are processed in a fully automatic operation. That saves time and cost and guarantees first-class chips. ++



From the **LithoPack300**

...via the chip...



...to the notebook

+ + Small, lightweight, powerful and yet affordable notebooks not only make businesspeople mobile, but also mean that an online chat in your favorite café or a fun game while you're on the road is easy and enjoyable.

+ +

SUSS MicroTEC SHARE

DEVELOPMENT OF WORLDWIDE STOCK MARKETS

The most important indexes were on an upward trend. While the American stock markets (Dow Jones: minus 0.6 percent) closed mixed, the indexes in Japan (Nikkei 225: plus 40.6 percent) and in Europe (Euro STOXX 50: plus 20.6 percent) recorded some significant price markups. Development within the German stock market was extremely satisfying, regardless of the difficult overall economic environment. The main reasons for this were the low valuation level of German shares in an international comparison, positive company news following extensive restructuring and restatement of book values in the previous years and the complex expectations in connection with the surprising announcement in May 2005 that Bundestag would be holding new elections.

OIL PRICES DOMINATED STOCK EXCHANGES WORLDWIDE

The price of oil steadily increased in 2005. This caused stocks from the segment of renewable energies (solar, wind and sustainable fuels) to win the attention of many investors. Semiconductor companies were unable to follow this trend and developed less strongly by comparison. Companies listed in the "Semiconductor" industrial group in the Prime Standard particularly had to put up with an average price markdown of 9 percent.

TECDAX WITHOUT SUSS MicroTEC

The SUSS MicroTec share developed more weakly than the comparison index during the course of 2005. In June 2005 the SUSS MicroTec share was removed from this selection index. The reason was the below-average development of the market capitalization. Operators in the capital market were disappointed by the 2004 annual results, the announced restructuring measures and the outlook for 2005. Although successes were achieved in the C4NP business and from the reorientation, the price trend continued weak. In January 2006, we reported an extremely high

order entry for the fourth quarter of 2005 together with a significant increase in sales. The price then increased by approximately 54 percent in January 2006 alone, clearly overtaking the comparison index.

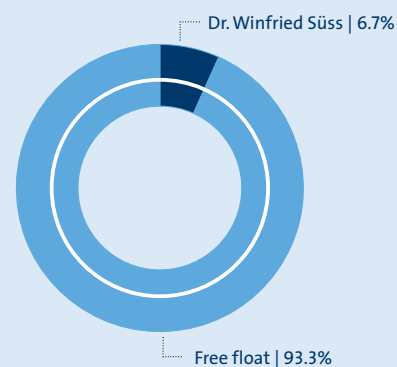
HIGH LEVEL OF INTEREST IN THE CAPITAL INCREASE

In August 2005 we implemented a capital increase with subscription rights for up to 1,456,084 individual share certificates. The subscription price was EUR 4.90 per share. 644,571 individual share certificates were subscribed to on the basis of the subscription rights. The remaining shares went to institutional investors. Approximately EUR 6.8 million accrued to the Company as a result of this capital increase.

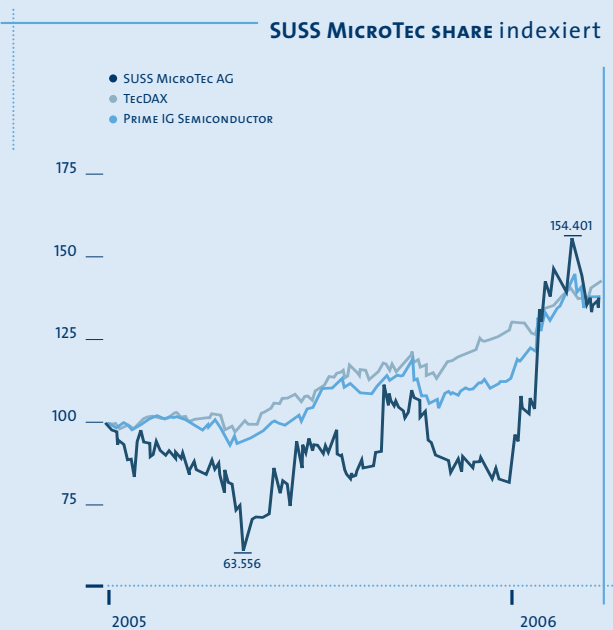
LIQUID TRADING

The average daily sales of the SUSS MicroTec share was approximately 136,545 units on all German stock exchanges in the reporting year (previous year: approximately 87,459). In all, approximately 35.5 million shares traded hands. The average daily trading volume thus increased by 56 percent. Tradability is thereby guaranteed for institutional investors as well – according to the Deutsche Börse, the SUSS MicroTec share was among the 20 most-traded shares in the technology segment on the German stock exchange in 2005.

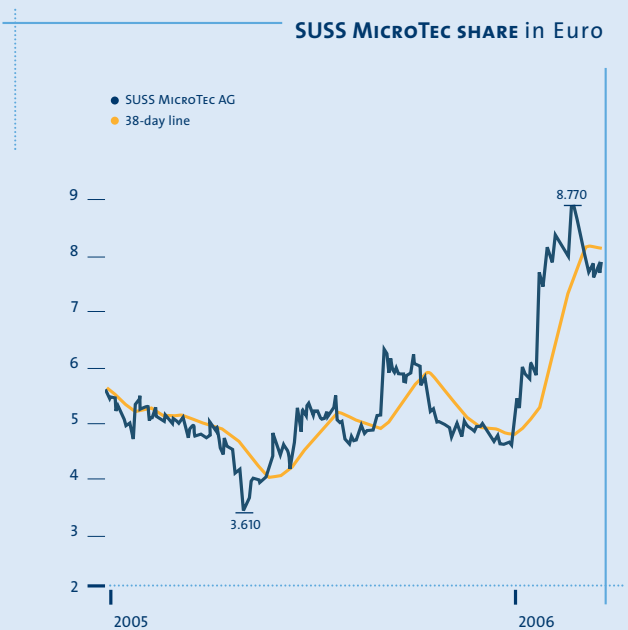
SHAREHOLDERS' STRUCTURE in %



SUSS MicroTEC SHARE indexiert



SUSS MicroTEC SHARE in Euro



SUCCESSFUL INVESTOR RELATIONS WORK

SUSS MicroTec is actively seeking to enter into open dialog with the capital market. Investors receive information promptly, continuously and much more frequently than just on the obligatory dates of the reporting season. This is an important and essential component of transparent, regular and comprehensible communications with the financial market. We used a number of methods to intensify contact with the financial community. We met with institutional investors at various financial locations in Germany, Great Britain, Austria and Switzerland. We presented our corporate strategy, the status of our cost reduction measures and our growth opportunities at road shows. We also participated in four investor conferences and the Management Board held numerous individual discussions with investors.

The goal of investor relations, in addition to the continued increase in analyst coverage, is to broaden the base of share-

holders and thereby acquire both institutional and private investors for the SUSS MicroTec shares. Overall, we see an even higher level of transparency as one of the central challenges for communication with the capital markets. Although we were distinguished three times by LACP, San Diego, US, for our annual report 2004, we aim to further improve the quality of our reporting. Our stated goal for the medium to long term is to again become a part of the TecDAX.

COVERAGE EXPANDED

The positive response at an investor conference in December and the upward price trend in January 2006 are proof that the Management Board has succeeded in presenting the attractive investment profile of SUSS MicroTec to institutional investors. At the beginning of fiscal year 2006 Deutsche Bank agreed to accept analyst coverage. Eight companies regularly publish studies about our Group.

Our investors can find the latest versions of the analyses at www.suss.com.

NEW LEGAL REQUIREMENTS IMPLEMENTED

Two newly introduced laws represented a particular challenge to the investor relations work in 2005: the Capital Markets Model Case Act (KapMuG) and the law on enterprise integrity and modernization of the contestation right (UMAG) resulted in extensive changes as associated internal measures, primarily with respect to the organization of the annual General Meeting.

We would like to thank all of our shareholders and investors for the trust they have placed in our Company. We have also held open dialog with our private shareholders in numerous individual discussions. We would like to continue with these in 2006 and commit ourselves to carry on with the utmost transparency and up-to-date information.

Information on the shares and the General Meeting, our Company reports, directors' dealings and the financial calendar can be found in their latest versions on our website at www.suss.de. Upon request, we will also gladly send current information via e-mail or post.

KEY SHARE DATA

| | |
|-----------------------------------|---------------------------|
| WKN | 722670 |
| ISIN | DE 0007226706 |
| RIC | SMHG.F |
| Bloomberg code | SMH GR |
| Shares issued | 16,792,968 |
| Share price as of Jan. 1, 2005 | 5.68 |
| Closing price 2005 | 4.72 |
| Year-on-year performance | -16,91 % |
| Average trading volume / day 2005 | 136,545 |
| IPO | May 18, 1999 |
| Designated sponsors (01.01.06) | HSBC Trinkaus & Burkhardt |
| Yearly high / low | 3.61 / 6.35 |

CORPORATE GOVERNANCE REPORT

IMPLEMENTATION

The goal of the corporate governance regulations is to ensure good and responsible company management that is transparent for the shareholders and the general public. The Management and Supervisory Boards of SUSS MicroTec AG are actively implementing the standards laid down in the regulations and regard the Corporate Governance Code as an important part of our corporate culture. As early as 2002, we appointed a Corporate Governance Officer who reports directly to the Management and Supervisory Boards.

SUSS MicroTec has from the very beginning been a leader in implementing the corporate governance guidelines. In 2004 alone we met 93% of all requirements and suggestions and took third place in the overall TecDAX ranking in a study by the Hamburg University for Economics and Politics. Since then, Corporate Governance at SUSS MicroTec AG has been monitored and further developed at regular intervals.

DECLARATION OF COMPLIANCE

The Corporate Governance Code currently contains more than 70 recommendations for which a company, under Article 161 of the German Stock Corporation Law (AktG), must issue an annual declaration detailing any deviations from the Code. The declaration of compliance of SUSS MicroTec AG, which is based on the current Corporate Governance Code as amended on June 2, 2005, was approved at the Management and Supervisory Board meeting in December 2005 and then immediately made accessible on our website.

SUSS 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 (there are no changes compared to the previous year):

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, SUSS MicroTec AG has had D&O insurance without any deductibles for specific executive bodies. SUSS 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 5.4.7** the Corporate Governance Code recommends a performance-based remuneration of Supervisory Board members as well as remuneration for membership in and chairing of committees. The remuneration of Supervisory Board members is determined in Article 13 of the articles of incorporation. The articles of incorporation of SUSS MicroTec AG currently do not provide for any performance-based remuneration of the Supervisory Board. Membership in committees is accounted for by paying a meeting attendance fee for participating in the committee meetings. Serving as the chairman of a committee is not to be separately compensated. The Management Board and Supervisory Board feel that the activities of the Supervisory Board members are overall adequately compensated.

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 and the general public should be guaranteed the greatest possible transparency, we describe our four deviations from the suggestions as follows:

- The proxy cannot 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.
- 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.

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



♦ MA6, exposure unit

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

There were no conflicts of interest among the members of the Management Board or the Supervisory Board. The Management Board and the Supervisory Board are convinced that the members of the Supervisory Board are sufficiently independent.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

According to a resolution of the ordinary Shareholders' Meeting of 2002, the articles of incorporation envision the following remuneration for the members of the Supervisory Board: in addition to reimbursement of expenses and an attendance fee of EUR 1,500.00 for participating in the meetings of the Supervisory Board or one of its committees, a fixed remuneration of EUR 15,000.00 per year for the regular members, EUR 45,000.00 per year for the chairman and EUR 22,500.00 for the deputy chairman of the Supervisory Board.

Based on the economic situation of SUSS MicroTec, for fiscal year 2005 the Supervisory Board members again waived the attendance fees and the increase of remuneration decided in the Shareholders' Meeting of 2002 and the chairman of the Supervisory Board relinquished the entire remuneration.

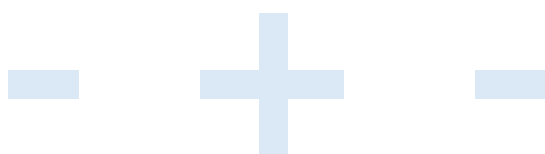
In addition to the above, the members of the Supervisory Board have with one exception received no remuneration or benefits for personally rendered services, in particular consulting or mediating services. The attorneys' society CMS Hasche Sigle, of which Supervisory Board member Dr. Christoph Schücking is a partner, received a total of EUR 72,687.11 in the fiscal year just ended for its consulting services for companies of the SUSS MicroTec Group.

The amounts listed in the following table accrue to the individual members of the Supervisory Board:

| | Remuneration 2005 | Reimbursement of expenses | Other payments (VAT, etc.) |
|-----------------------------|-------------------|---------------------------|---|
| Dr. e. h. Horst Görtz | 7,669.37 | 2,306.33 | VAT 1,227.10 less 853.00 D&O insurance |
| Peter Heinz* | 3,834.69 | 6,849.34 | VAT 613.55 less 342.00 D&O insurance |
| Prof. Dr. Anton Heuberger | 7,669.37 | 3,166.95 | VAT 1,227.10 less 853.00 D&O insurance |
| Thomas Schlytter-Henrichsen | 11,504.06 | 1,355.23 | VAT 1,840.65 less 1,280.00 D&O insurance |
| Dr. Christoph Schücking | 7,669.37 | 1,370.68 | VAT 1,227.10 less 853.00 D&O insurance |
| Dr. Thomas Sesselmann** | 3,834.69 | 446.55 | less 511.00 D&O insurance |
| Dr. Winfried Süß | – | 1,052.37 | – |

* as of June 21, 2005

** until June 21, 2005



SHAREHOLDINGS OF OFFICERS AND PERSONS CLOSELY ASSOCIATED WITH THEM

As of December 31, 2005, the members of the Management Board and Supervisory Board as well as persons closely associated with them hold shares or options of SUSS MicroTec AG as follows:

| Management Board: | Shares | Options |
|-------------------------|--------|---------|
| Dr. Stefan Schneidewind | 6,571 | 69,648 |
| Stephan Schulak | 13,000 | 80,286 |

| Supervisory Board: | Shares |
|--|-----------|
| Dr. Winfried Süß | 1,131,000 |
| closely associated persons as defined by § 15a WpHG (Securities Trade Act) | 147,443 |
| Thomas Schlytter-Henrichsen | 6,909 |
| Dr. e. h. Horst Görtz | 3,894 |
| Peter Heinz | 1,338 |
| Prof. Dr. Anton Heuberger | – |
| Dr. Christoph Schücking | 500 |

The Company has been advised of the following disposals and acquisitions of SUSS shares by officers and persons closely associated with them in fiscal year 2005:

| | |
|--------------------------|-------------------------------------|
| Dr. Winfried Süß | |
| 09.05. | Purchase of 56,000 shares |
| 10.05. | Purchase of 13,000 shares |
| 11.05. | Purchase of 10,000 shares |
| 12.05. | Purchase of 21,000 shares |
| 13.05. | Purchase of 6,000 shares |
| Dr. Stephan Schneidewind | |
| 23.06. | Exercise of 6,000 share options |
| 22.08. | Exercise of 571 subscription rights |
| Stephan Schulak | |
| 22.11. | Exercise of 40,000 share options |
| 23.11. | Sale of 27,000 shares |

BASIC PRINCIPLES OF THE MANAGEMENT BOARD REMUNERATION SYSTEM

The Personnel Committee of the Supervisory Board determines the Management Board remuneration. The Supervisory Board plenum discusses and reviews the remuneration structure on a regular basis.

The remuneration of the members of the Management Board consists of fixed and variable components.

The amount of fixed pay is determined first and foremost by the roles and/or responsibilities assigned; it also includes fringe benefits in the form of a company car and subsidies for health and pension insurance.

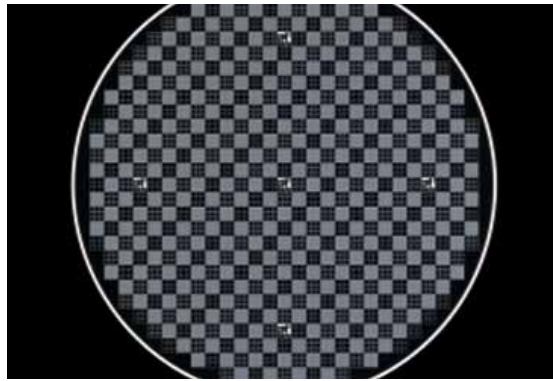
Employer pension commitments in the form of direct insurance (capital sum life insurance) have been made for members of the Management Board.

SUSS MicroTec assumes the costs accruing to Dr. Schneidewind during the course of his maintenance of two households.

In addition to the fixed remuneration, the members of the Management Board receive a variable annual bonus, which is based on individually set objectives that cannot be subsequently changed.

The third form of share-related remuneration based on the long-term success of the Company consists of stock options in accordance with the stock option plan of 2005.

The information regarding the amount of remuneration for the members of the Management Board in fiscal year 2005 is presented on page 109 of the annual report.



← 300 mm – photo mask

STOCK OPTION PLANS

SUSS MicroTec AG has issued subscription rights to shares to the members of the Management Board, members of executive management of Group companies and employees of SUSS MicroTec AG and their Group companies by way of three stock option plans (Stock Option Plans 1999, 2002 and 2005). The stock option plans for 1999 and 2002 have meanwhile been closed, so that no additional options can be issued under these plans.

As of December 31, 2005 there were still a total of 210,669 exercisable subscription rights outstanding under the stock option plan of 1999 (of which 6,526 were to members of the Management Board).

At the same cutoff date, there were still a total of 269,358 exercisable subscription rights outstanding under the stock option plan of 2002 (of which 60,208 were to members of the Management Board).

From the stock option plan of 2005 there were a total of 193,000 subscription rights issued (of which 80,000 were to members of the Management Board) as of December 31, 2005, of which 193,000 were still exercisable on the cutoff date. An additional 557,000 subscription rights can still be issued under the stock option plan of 2005.

Subscription rights issued under the stock option plans are first exercisable upon expiration of a waiting period. The waiting period is two years and one week. The obstacles to exercising the rights are defined in different ways in the individual plans:

Stock Option Plan 1999:

Increase in market price of at least: 50% after 3 years, 75% after 5 years, 100% after 5 years.

Stock Option Plan 2002:

Increase in market price of at least 0.625%/month (= 7% p.a.) and percentagewise same or better development of the market price than the TecDAX

or

Increase in market price of at least 0.8333%/month (= 10% p.a.)

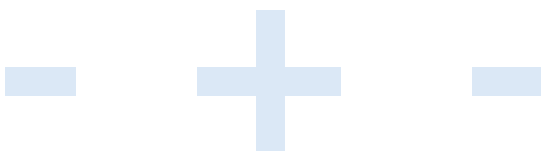
Stock Option Plan 2005:

Increase in market price of at least 0.625%/month (= 7.5% p.a.) and percentagewise the same or better development of the market price than the TecDAX

or

Increase in market price of at least 0.8333%/month (= 10% p.a.)

Further information regarding the share-related remuneration is contained in number V.1 of the notes (see page 111).





CORPORATE CALENDAR

| | | |
|------------------------|-------------------|--------------------|
| SEMICON Europa | 03 – 06 April | Munich, Germany |
| Micromachine Summit | 27 – 29 April | Beijing, China |
| Quarterly Report | 03 May | |
| Analysts' Conference | 04 May | Frankfurt, Germany |
| SEMICON Singapore | 09 – 11 May | Singapore |
| MTT-S Symposium | 14 – 6 June | San Fransisco, CA |
| OPTO Taiwan | 14 – 17 June | Taipei, Taiwan |
| General Annual Meeting | 20 June | Munich, Germany |
| SEMICON West | 11 – 13 July | San Fransisco, CA |
| Semiannual Report | 2 August | |
| COMS 2005 | 27 – 31 August | St. Petersburg, FL |
| SEMICON Taiwan | 11 – 13 September | Taipei, Taiwan |
| Ninemonth Report | 7 November | |
| Micromachine 2006 | 7 – 9 November | Tokyo, Japan |
| SEMICON Japan | 6 – 8 December | Chiba, Japan |



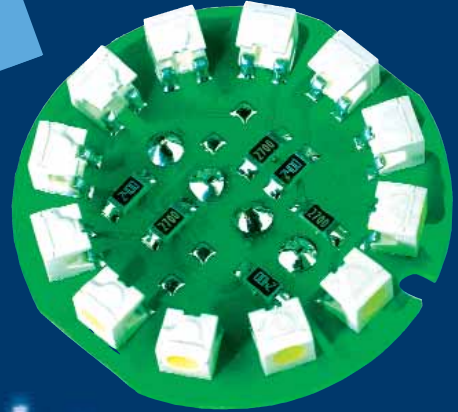
Coating, exposure and developing 200 mm wafers is handled by the LithoFab completely automatically and with proven high precision. These processes are also used in the production of compound semiconductors, which are needed for the production of LEDs. Large quantities are processed here as well, so a cluster tool from SUSS MicroTec provides cost and quality advantages.

+ +



From the **LithoFab200**

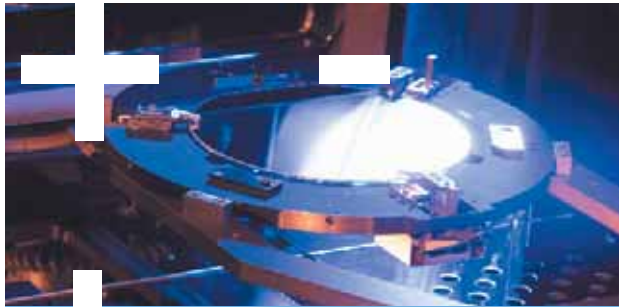
...via the chip...



...to the LEDs

+ + Very high illuminating power combined with low energy consumption and a long service life. These characteristics make LEDs very attractive for streetlights, car headlights and taillights, and exterior lighting.

+ +



HIGHLIGHTS 2005

FIRST QUARTER

New product for nanotechnology

The structures in semiconductor circuits are getting smaller all the time. Which ultimately means it will soon no longer be possible to create them using the exposure procedure because the wavelength of the light, even UV light, is too "rough" for the purpose. The alternative innovative solution is to create a single finely structured "stamp" with the electron beam, then press its pattern into an extremely thin layer of plastic on the wafer many times and immediately harden the resultant imprints every time with UV light. A high production speed can be achieved with this lithographic procedure, even with the most delicate structures. With assistance from the EU, SUSS MicroTec has developed the high-precision Nanosteper "NPS300" and thus is equipped at best for this future market.

Mask Aligner "MA200 Compact" and Coating Cluster "ACS200" successful

The new "MA200 Compact" product family that was developed in 2004 is meeting with a great response on the market. Since the so-called footprint in clean rooms is a very expensive commodity, we have reduced the size of our proven lithography equipment. The attendant quality criteria to which our customers attach great importance – maximum precision combined with high throughput at extremely low operating costs – have naturally been maintained. The "MA200 Compact" is also partly equipped with the SupraYield technology, with which it – thanks to intelligent temperature compensation and new imaging techniques – achieves a resolution of less than one micron. In combination with the fully automated SUSS MicroTec Spin Coater, best lithography results on the wafers are achieved.

SECOND QUARTER

SUSS MicroTec Probers mobilize

Our desire to be accessible all over the world is changing the demands being made on mobile devices such as handsets, notebooks, PDAs, etc. The constantly growing quantities of data that are sent along the airwaves must arrive quickly and faultlessly at the other end. At the same time, electricity consumption must be as low as possible so as to be easy on accumulator batteries when their users are on the move. UMTS, wireless LAN and its successor UWB are technologies that meet these demands.

The markets for these high-tech applications are growing rapidly, and SUSS MicroTec recognized the trend at an early stage. In June, two products for testing chips used in these applications were launched on the market on the occasion of the MTT-S (International Microwave Symposium, the largest gathering of specialist testing industry experts). The "SUSS Multi IZI Probe", a test probe, and the "SussCal 6" calibration software are facilitating new, cost-effective functional tests that operate with greater precision.

THIRD QUARTER

First Order for C4NP-Equipment

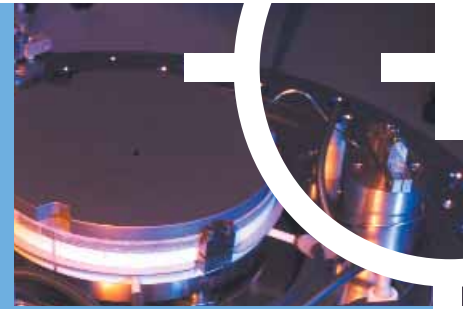
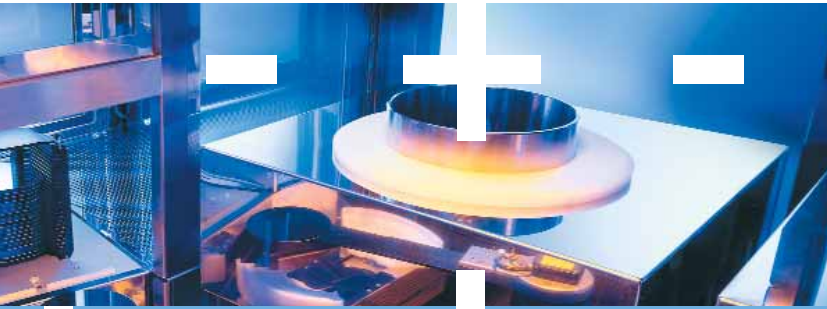
The test series on the C4NP beta tool at the SUSS MicroTec subsidiary in Waterbury, USA, were so successful that SUSS received the first commercial order far earlier than expected. The customer is IBM.

C4NP is a new process that IBM has developed for manufacturing solder bumps for wafer bumping. It is a comparatively simple and effective alternative to the expensive and complicated

▶ HIGHLIGHTS

▶ OUR STRATEGY

▶ NACHHALTIGKEIT



galvanic procedures that have been used until now. In addition, C4NP makes it possible to produce lead-free chip connections as demanded by, in particular, European and Asian electronics manufacturers. IBM invented the C4NP technology and, in September 2004, entrusted SUSS MicroTec with the task of developing the equipment for this new process.

New Products for the Growing LED Market

LEDs are increasingly being used in place of traditional lighting methods because they are smaller, consume less energy, have a longer lifespan and give off less heat. Examples for current LED application fields: traffic lights, rear lights of luxury class cars, outside lighting.

LED manufacturers are demanding that the equipment producers provide them with solutions that permit a reduction in production costs accompanied by a faster time-to-market. In the third quarter, SUSS MicroTec presented one product for the production and another for the testing of LEDs: a very fast testing system that can make contact with eight devices per second. This speed is important in so far as any shortening of the testing time for individual LEDs can reduce the overall testing time for a charge of wafers by several days. No other Prober on the market can test the functional capacity of the LEDs on a wafer so quickly and at the same time so precisely and reliably. Further the new LED Bonder was launched. This tool can connect up to eight wafer pairs with one another at the same time – making it eight times as fast as rival products.

FOURTH QUARTER

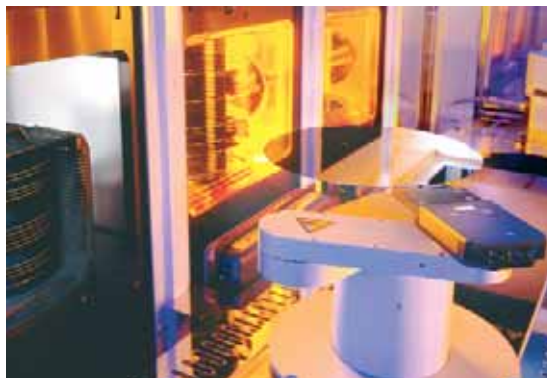
Highest Order Entry since Q2/2001

SUSS MicroTec has received three purchase orders from three different leading device manufacturing companies for its production Wafer Bonder "ABC200". All three orders are follow-on orders due to capacity expansions in MEMS production. The systems will be installed in Europe, North America and Taiwan respectively.

MEMS stands for Micro Electro Mechanical Systems. These systems combine tiny mechanical structures with electronic components to make devices like airbag or electronic stabilizers for cars. Substrate bonding is a so-called "enabling technology" which means that it is a process that makes the development of such devices possible. Put simply, two wafers are fixed together with the utmost precision. That is the way how to produce tire pressure sensors or micro-tilt-mirrors which are used in beamers and rear projection television systems.

Also in China SUSS MicroTec equipment for the MEMS market enjoys strong demand: A there-based customer placed an order worth 3 million dollars in total. The equipment will be used to develop new MEMS applications. SUSS has been active in China for over 20 years and thus direct access to this important growth market.

All in all the fourth quarter showed a most gratifying development. The gross order entry of 51 million Euro is to be stressed. The highest order entry figure since the second quarter of 2001.



♦ Kassettenstation Coater ACS300 Plus

OUR STRATEGY

SUSS AS KEY PLAYER IN THE SEMICONDUCTOR MARKET

SUSS MicroTec is already one of the leading specialty suppliers for the chip and microsystems industry. Our share of the markets mentioned is approximately 30 percent, and we are leaders in the area of microsystems technology (MEMS). Starting from this basic position, we wish to further develop into a key player in the semiconductor market and profit from the worldwide growth in these business segments.

To achieve long-term profitable growth, SUSS MicroTec is relying on:

- Growth markets
- Innovative technologies with a high level of efficiency for customers
- Cooperation and a strong partner network
- A sustained, performance-oriented corporate culture (see section on "Sustainability")

GROWING NEED

All of the markets for which SUSS MicroTec supplies equipment are growing (see section on "Consumer Markets"). Our MEMS equipment is used in the automotive supplier industry, in medical technology and in the manufacture of computer accessories, for example. Even the market for modern chip connection (advanced packaging) is showing high growth rates thanks to the ever-growing worldwide popularity of notebooks, PDAs and digital cameras and in light of new trends in entertainment electronics. Our know-how in the field of compound semiconductors enables us to profit from the boom in LED illumination.

Our strategy continues to be geared toward reacting quickly and flexibly to the challenges of the growing markets and position ourselves and our equipment as a capable partner of the manufacturers.

LARGE R&D INVESTMENTS

SUSS MicroTec offers technologically high-quality products for all relevant markets. Research and development is and will always be of central significance to SUSS, as it enables us to keep pace with our customers in these growing markets, further expand our competitive edge and press ahead with developments.

Each year we invest approximately one tenth of our sales in the development of new systems and technologies. Because we want to position ourselves at an early stage for new trends such as System in Package (SiP) solutions, engineered wafers and lead-free packaging and put our technological lead position to the test. That is why we will maintain our traditionally high sales ratio with research facilities and universities in the future, where tomorrow's solutions emerge today – using SUSS MicroTec products. Measurable benefits for our customers are always a central consideration. We are continuously improving our products and services, so that our customers can become even more competitive and reduce costs on their part. The favorable cost of ownership of our products is one of the essential tools for exploiting the potential of new and existing customers.

GROWTH WITH STRONG PARTNERS

Strategic cooperation has been of great importance to SUSS MicroTec from the very beginning. Strong partner networks such as MEMUNITY promote the market launch of new technology and open up additional sales channels. The most important individual project in this type of cooperation is currently C4NP. With this novel, trend-setting C4NP technology, advanced packaging can become lead-free and more effective. SUSS is currently developing – in cooperation with IBM – the production tool set which will then run these processes. SUSS MicroTec will in this way enable its customers to manufacture chips more efficiently and in an environmentally compatible manner.

INTERNAL STRENGTH AS A BASIS

The new divisional corporate structure, in which responsibility and competencies are clearly assigned to the individual divisions, combined with the corporate processes that have been optimized as part of the restructuring, form the necessary basis for reaching our corporate goals. The SUSS Group is aligned to facilitate the effective realization of the corporate strategy.

SUSTAINABILITY

RESPONSIBILITY OF THE COMPANY

The past year was no easy time for the employees of SUSS MicroTec. The restructuring process brought with it necessary changes and set the course for a profitable future for the Company. But the measures taken demanded lots in return from our employees. The main priority was always to take responsibility for the entire Company and its future capability, which is a prerequisite for secure jobs and satisfactory customer relations.

The goal was clearly defined: to reach the break-even point at EBIT level in as timely a manner as possible with sales of EUR 106 million. We therefore rely first and foremost on our technologically leading products and the expansion of our position in the growth markets. However, we also want the SUSS Group to be one of the best when it comes to internal processes. So processes were trimmed down and standardized to reduce costs and achieve better results. Closing the ABlar plant was a necessary part of this. We also try to concentrate our energies on factors that bring added value for the customer. The delivery times and manufacturing costs of our products, for example, are being further reduced through a modular and standardized approach.

Under the conditions that have now been established, SUSS MicroTec can again operate profitably in terms of shareholder value and therefore safeguard jobs over the long term.

PROMOTING AND CHALLENGING

But being among the best also means that SUSS MicroTec must invest in the productivity and motivation of the employees. We check the training and continuing education needs in all departments on a regular basis. Based on what we find, specific promotional activities are brought into play. The focus over the last several months was the development of senior management. A continuing education program for efficient project management is being developed, and 110 of our employees will participate. By way of an incentive system, we motivate our employees to deliver

ordered machinery as quickly as possible and exactly as the customer requests. To secure the next generation of personnel, SUSS MicroTec works harmoniously with universities and research facilities. SUSS MicroTec also trains young people every year to work as industrial clerks and in mechatronics.

ENVIRONMENTAL PROTECTION AND SAFETY

Through our product innovations, we make a measurable contribution to environmental protection. While there are virtually no environmentally polluting materials accumulating in the internal SUSS production process, our customers use numerous chemical materials in the production of semiconductors and microsystems. SUSS MicroTec has done its part in the past to ensure that these production processes take place more quickly and efficiently, so as to conserve resources, and thus make a contribution to environmental protection.

Increasing environmental awareness also results in lead-containing electronic products being replaced by lead-free ones. The producers then become very interested in themselves being able to produce lead-free components. In September 2004 SUSS MicroTec entered into an agreement with IBM which stipulates that SUSS will develop, product and market the equipment for the new C4NP process. The C4NP process developed by IBM enables the lead-free processing of chips. This technology could become a growth engine for SUSS MicroTec over the next several years.

SUSS MicroTec products are used, for example, in the automotive supplier industry for the production of sensors that effectively improve safety in road traffic: airbags and antilock systems ensure that individual mobility becomes increasingly safer. But work safety also plays an important role internally: in collaboration with the employers' liability insurance association, the employees of SUSS MicroTec are regularly trained on the topic of safety in the workplace. The clean rooms comply with demanding safety standards, ensuring that working with hazardous chemicals is as risk-free as possible. In case of emergency, employees are also trained in specific first aid measures.

SUSS MICROTEC PRODUCTS

+ COATER



Coater spread a photosensitive resist on the wafer. The SUSS MicroTec Spin Coater specializes in thick photo resists, which are applied to the wafers. The Spray Coater sprays a substrate and can thus also coat three-dimensional structures evenly.

+ MASK ALIGNER



Mask Aligner align a glass mask on a wafer which is accurate down to the sub-micrometer level. The microscopic image on the glass mask is transmitted to the coated wafer by means of exposure.

+ DEVELOPER



Developer use chemicals to dissolve away the image previously created by Mask Aligner from the photosensitive resist on the wafer. (The entire process can be compared to photography with a conventional camera: the film contains a photosensitive material, which is exposed when "snapping" the photo and subsequently developed.)

+ SUBSTRAT BONDER



The Bonder is a bonding device. It bonds together two or more substrates very precisely aligned to one another, usually wafers, by welding, gluing or other physical-chemical processes. Many MEMS components require this processing step. Only in this way can our airbags, tire pressure sensors, GPS sensors, ink jet printers, etc. function at all.

+ DEVICE BONDER



The Device Bonder, in contrast to the Substrate Bonder, handles electronic components that have already been separated from the wafer. These are then bonded either onto another wafer or onto other diced components before final packaging.

+ PROBER



Prober carry out individual analytical tests of microchips. Using probe heads, electrical signals from microscopic structures within the chip are captured and analyzed. Or durability tests using pressure, electric current, force, heat or cold show whether the chips meet the requirements and point to any errors at an early stage. The modular construction of our Prober makes it extremely flexible, which is very much appreciated particularly in development projects.

► SUSS INSIDE

► CONSUMER MARKETS

SUSS MicroTEC MAKES LIFE EASIER

Technical innovations improve our standard of living year after year, making our lives more communicative, mobile, secure and comfortable. SUSS MicroTec products are used in the production of chips and microsystems, which are then installed in the end devices listed below. So it follows that the development of the markets for these end products is an important indicator for the future requirements for SUSS MicroTec tools. SUSS equipment is primarily needed in the three growth markets advanced packaging, microsystems technology and compound semiconductors.

Advanced packaging is used by the chip industry. This industry will, according to market experts, show average annual growth of 9.5 percent until the year 2008. It is expected that the driving-factor end devices will be PCs and notebooks, followed by digital cameras, PDAs and MP3 players. The markets for PCs notebooks and servers should grow by approximately 10 percent each year. The cell phone market is also growing by approximately 4 percent each year.

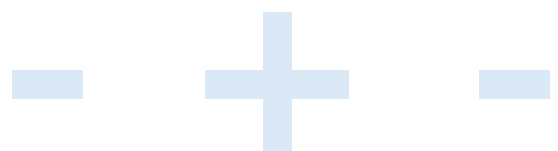
The entertainment industry further stimulates the electronics industry: the demand for digital cameras and for DVD players grows yearly by approximately 8 percent, for game consoles by approximately 5 percent and the markets for DVD recorders and beamers are predicted even higher growth rates.

Microsystems technology is primarily sensor technology. Industry experts Yole Development estimate that growth rates for anti-locking and navigation systems via GPS alone will reach approximately 10 percent by 2010. Ink jet printers are projected to see additional growth of approximately 20 percent.

In the compound semiconductor market, the LED segment is expected to grow an average of 28 percent yearly until 2007, which is of particular interest to SUSS.

The popular German business magazine "Wirtschaftswoche" chose ten technologies at the end of 2005 which are so successful that they are appearing in all areas of our daily lives – including light-emitting diodes (LEDs), high-resolution HDTV televisions, navigation systems in cell phones and driver-assistance systems in mid-class automobiles. Products and know-how from SUSS MicroTec play a part in the development and production of all these innovations.

In today's modern, highly developed countries, everyone comes in contact at least once a day with a product that was manufactured with the help of SUSS equipment. Electronic devices, which have found their way into every household by the dozen, are being replaced after increasingly shorter service lives and are expected to accomplish even more. The possible applications for semiconductors (chips) and microsystems (MEMS) are becoming respectively greater and the demand for them is growing accordingly. Gadgets with "SUSS inside" include, for example, many cell phones, flat screens, MP3 players, tire pressure sensors, engine control, airbags, blood glucose monitors, navigation devices, light-emitting diodes and wireless networks (WLAN, hotspots, Bluetooth). As a leading specialty supplier, we provide the manufacturers of chips, microsystems and compound semiconductors with production machinery and equipment. The products of our customers are used primarily in four dynamically growing markets:





♦ MA300 with operator

| Market: | Product: |
|------------------------------------|--|
| Mobility and safety | Airbag sensors, interval or distance meters, Electronic Stabilization Program (ESP), temperature sensors, position sensors (GPS), pressure sensors (tire pressure), level regulation, movement sensors (for theft protection), blood glucose monitors (lab-on-a-chip technology) |
| Office and communication equipment | Desktop computers, notebooks, notebooks, PDAs, cell phones, ink jet printers |
| Entertainment | DVD players, DVD recorders, video and game stations, digital cameras, digital camcorders |
| Lighting | LED |

SAFE AND MOBILE

Microsystems technology (MEMS) is used in many technical everyday applications. This world is hidden from the naked eye, since one micrometer is exactly a thousandth of a millimeter and a microsystem is often only 30 micrometers in size – the diameter of a human hair. Our lives would look very different without MEMS. In the automobile, for example, microsystems in sensors ensure that the airbag deploys in case of emergency. Or they provide for accident-free parking as part of an electronic parking assistant. Antilock systems and navigation systems via GPS are other applications.

Microsystems technology can save lives in blood glucose monitors for diabetics and their use in DNA analyses or biometric detection methods provides for more security and more effective abatement of crime. And there are yet further possible uses in office equipment that can make life easier, such as MEMS-controlled ink jet printers. Modern beamers, which more and more people are using to set up home theaters, are also controlled by microsystems.

In 2005 we generated 35 – 40 percent of our sales volume from the MEMS market. Apart from advanced packaging, microsystems technology is the most important market for SUSS MicroTec. We provide the most comprehensive equipment by far for the MEMS market: Mask Aligner, Spin Coater, Wafer Bonder and Prober. And research is already being done for the future. For example, cars today are riding on almost the identical tires as 50 years ago, meaning that in the field of tires alone, some interesting parameters could be measured. In addition to temperature and pressure, recording the number of revolutions, speed, yawing moment and traction would be conceivable, as well as detection of early structural changes in the tire body – producing intelligent tires, as it were. Electronic tire pressure control is already compulsory in the US. For automobile suppliers and tire manufacturers this means forging ahead nonstop with their developments. An innovative tire monitoring system in which is ready for production makes it possible for sensors embedded in tires to communicate with receivers at a gas station, for instance. With this motorists would be able to read from a display on the gas pump which air pressure corrections were necessary, if any, and which exactly and when they should be made. With the compliments of the “Intelligent tire”.

FASTER AND SMALLER

Advanced packaging refers to connecting semiconductors directly and in a way that makes the most of the space available, with high connecting density and low output resistance to the outside world (for example, the printed circuit board). The idea is to produce the greatest chip density possible, making the end products such as cell phones, notebooks, digital cameras and PDAs more efficient and of higher quality. “Faster and smaller” – that is our motto. Although devices continue to take on ever smaller formats, their processors accomplish more and more. This is only possible because a chip now contains even more circuitry, thanks to sophisticated production processes. While a semiconductor only contained 2,300 transistors in 1971, the figure lay between three and ten million during the 1990s. Today, this number has reached 95 million. The link between the chip and the outside world, the advanced packaging, also has to be direct and space-saving, so that the processor can work faster and – primarily – trouble-free, with shorter connections.

SUSS MicroTec supplies many important components in the semiconductor industry with its Mask Aligner, Spin Coater and Prober. In the future, the C4NP equipment will also be provided to this market segment. C4NP (Controlled Collapse Chip Connection New Process) is unique because the efficiency of wafer bumping, the crucial manufacturing step in advanced packaging, can be further increased. The process can also be carried out totally lead-free (see also the section on Sustainability). SUSS is currently developing equipment for a complete C4NP tool set.

COMPLETE INSIGHT

Compound semiconductors represent an additional market for SUSS MicroTec. As the name suggests, they are comprised of different elements. The most attractive end product in this market for SUSS is currently LEDs (light-emitting diodes). These are especially bright, need very little energy and have a much longer service life than conventional light bulbs. LEDs convert electric current into light very efficiently. The marketing organization Fördergemeinschaft Gutes Licht predicts that within 10 to 15 years the LED will become the “sole front-runner of efficient light sources”. They are replacing conventional light bulbs more and more frequently – in car brake lights and interior lights, in traffic lights, in many cell phone displays and keyboards, and even in camera flashes.

Large screens, such as those used for open-air sports events transmissions, and flat screens shine brighter and sharper thanks to LEDs. An environmentally friendly component is built in here as well: the low energy consumption results in significantly lower heat emission from the LEDs. This means that increased usage for outside lighting, such as in large cities, heats up the atmosphere less.

All product lines of SUSS MicroTec are represented in the production of LEDs. The most important process step here is photolithography, which puts the Mask Aligner in high demand. By using the Spin Coater, Mask Aligner and Developer integrated into one package, the customer covers three important manufacturing steps and can significantly reduce costs. Since quality control also becomes more important, however, there is increased need for a special Prober.

Good quality control is indispensable. The Prober analyzes in detail whether a chip meets all the necessary requirements. Only when this test device gives the all go can the chip be further processed. The more reliable this selection, the better the devices in which the chips are installed will function.



From the HF-Prober...

...via the chip...



...to the
mobile phone



+++ Being reachable while you're on the go, whenever you want. A last-minute change of your agreed meeting point, a call for help in case of emergency, sending an SMS or taking a picture – in the meantime normal course of life.

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GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT AS OF DECEMBER 31, 2005

1. GROUP STRUCTURE AND BUSINESS ACTIVITIES

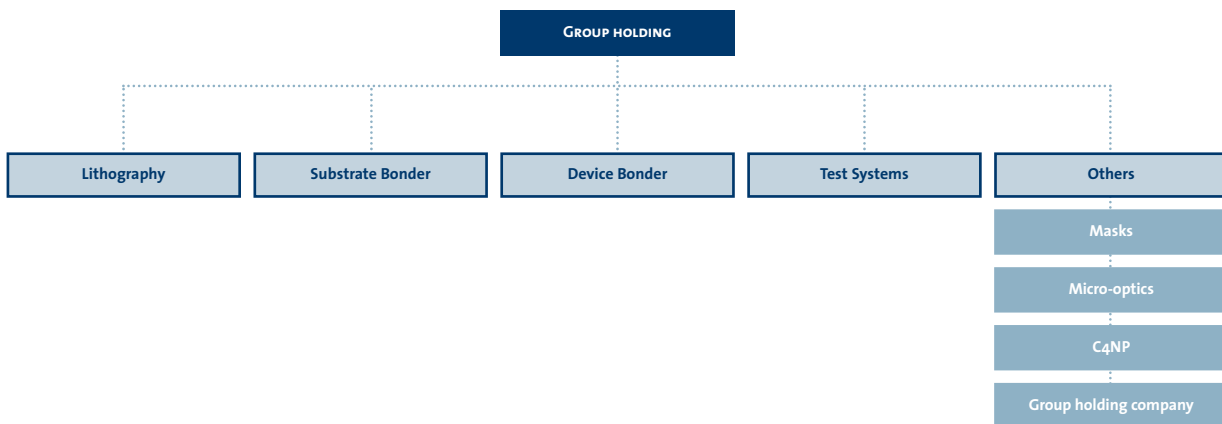
The SUSS MicroTec Group manufactures and sells production equipment and testing systems for the microelectronics and microsystems industry.

As a supplier of system solutions for semiconductor technology, the Group is a high-performance partner for the semiconductor industry for the laboratory and production fields. High-growth market niches are the target of SUSS MicroTec business activities. Serving these markets requires the innovative development of technologies which offer long-term potential for tomorrow's

markets and applications. The Group's core concern is the lithography and bonding technology of microchips to be used in chip production, telecommunications and optic data transmission.

The larger process lines generally consist of several single tools. There, the Group has been setting up networks with internal and external partners to create competitive advantages.

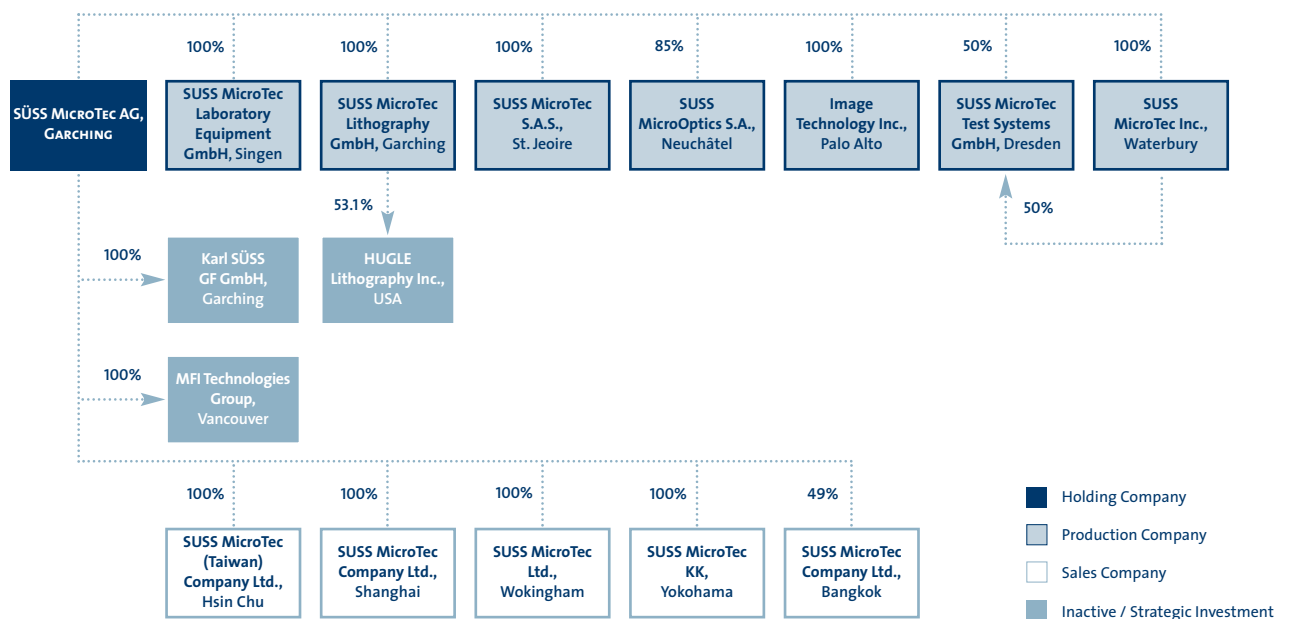
The Group is divided into five segments, with the Others segment consisting of several sub-units, each managed separately.



The legal structure of the Group consists of the parent company, SUSS MicroTec AG, as the management and financial holding company, and the subsidiaries, in which the parent company generally holds the majority interest. The development and production activities and/or local sales activities for the Group are organized within the subsidiaries themselves. The Group maintains branches in Germany, the United States, France, China and Taiwan, among others.

- ▶ GROUP STRUCTURE AND BUSINESS ACTIVITIES
- ▶ MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY
- RESEARCH AND DEVELOPMENT
- OVERVIEW OF BUSINESS DEVELOPMENT
- EARNINGS, ASSETS AND FINANCIAL POSITION
- EMPLOYEES
- ENVIRONMENT
- EVENTS AFTER THE BALANCE SHEET DATE
- RISK REPORT
- PROGNOSIS REPORT

Legal Structure of the Group:



Further Investments: ZTS Glaubitz (10%)
 Electron Mec. S.r.L., Milano (10%)
 Holtronic Techn. S.A. Marin, Helvetia (10%)

Remuneration of employees, in particular those in management positions, is separated into fixed and variable salary components. The variable components are generally based on the achievement of personal and financial targets, which are reset each year. A certain group of employees also takes part in the Group's stock option plan.

The emoluments of the Management Board also consist of fixed and variable components. For the fixed remuneration, the Management Board members receive monthly salary payments, social security allowance and a company car that is also for personal use.

As a short-term variable remuneration, the Management Board members receive an annual bonus, which is based on individually set targets. The defined goals may not be subsequently changed.

Their remuneration also consists of a variable compensation component with a long-term, results-oriented incentive in the form of a stock option plan.

2. MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY

Management control is geared largely toward order entry, sales and the order backlog of the individual segments. This means that the performance of the segments is measured principally by observing the development of the gross profit margin (sales less manufacturing costs) as well as the net operating profit. The net operating profit of a segment within the Group represents the gross earnings less the allocated costs for administration, sales, research and development, and other attributable costs and income.

Another key control figure is the net cash position (liquid funds less liabilities), which represents an essential control factor for the financial function of the holding company.



The key control figures have changed significantly in some respects, as the Group accounting was converted from US-GAAP to IFRS at the close of fiscal year 2005. That has led to considerable changes in the key balance sheet and performance figures compared to earlier publications. The conversion also includes the previous year 2004, so that the comparison figures were created based on the same premises. As a consequence, the previous year's figures mentioned below will not be identical to the values in the 2004 annual report or the values for 2004 in the reports on the first three quarters of 2005. More detailed information can be found in the notes to the consolidated financial statements.

SUSS MicroTec seeks to occupy lucrative niches in the semiconductor supplier industry. We want to remain active in the relevant markets, maintaining our clear positioning among the top three providers at all times. Partnerships with leading institutes and companies in the industry should ensure that all significant trends and promising technologies are identified in good time and examined for their potential for SUSS MicroTec. Organic growth is key here; only in the event of interesting technologies or meaningful complementary products being recognized will external growth be considered.

3. RESEARCH AND DEVELOPMENT

Research and development activities are of vital importance for the sustainability of both existing and future products. They represent investment in the future for our Company.

Although many factors point to the development into a more mature industry, our line of business continues to be very R&D-intensive. On the one hand, new end products with very high growth rates – such as light-emitting diodes (LEDs) – are forcing new types of machinery. On the other hand, the competition for cost leadership among our customers is increasing. This competition then leads to pressure on prices for the machinery that we

are to supply. Any company that wants to survive as a machinery supplier in this environment must be able to offer customers machines that are more productive, and not necessarily cheaper: high quality, reliability – in the industry known as “machine uptime” – and a high level of performance are important for our manufacturing customers.

Last year the focus of our R&D activities was clearly on the development of tools for the C4NP production line. The development of the individual tools was spread across those locations whose respective core competencies most closely matched the individual development goals. Thanks to this parallel effort, the development time for achieving a market-ready product (“time-to-market”) for the C4NP pilot line was significantly reduced. A second step now involves the integration of the individual tools into a C4NP production line in our location in Waterbury, Vermont, in the United States. An internal development department with a high level of decision-making power was created there for this project.

In addition we have primarily worked on developments to aid the medium and long-term safeguarding of margins. Special efforts were made to standardize and modularize our products: following a basic internal assessment of the control concepts used in our machines, a new system was developed which is to be the basis for the future generations of machines. In addition to the classic PLC control at the machine level, an “intelligent” superstructure programmed at PC level controls the complex functions such as reception of processes, robot vision and communication within the network. This brought maximum reliability and unlimited flexibility into a neat synthesis.

In connection with this project, the introduction of the production Mask Aligner MA200 compact meant the consolidation of the entire know-how of our Lithography segment, acquired over

GROUP STRUCTURE AND BUSINESS ACTIVITIES

▶ MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY

▶ RESEARCH AND DEVELOPMENT

OVERVIEW OF BUSINESS DEVELOPMENT

EARNINGS, ASSETS AND FINANCIAL POSITION

EMPLOYEES

ENVIRONMENT

EVENTS AFTER THE BALANCE SHEET DATE

RISK REPORT

PROGNOSIS REPORT

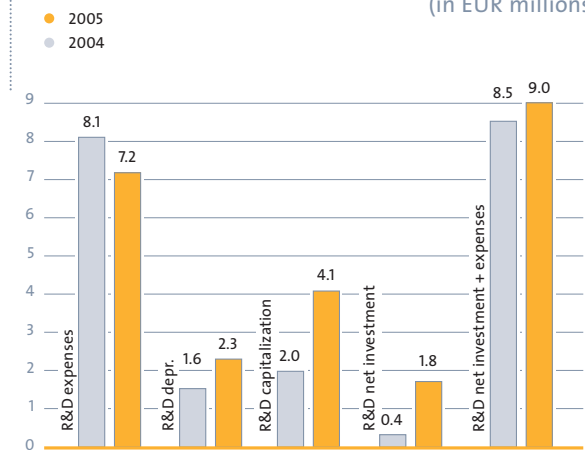
several decades, into one modern range of products. This product range stands out for its modular construction, its new standardized control concept and the resulting high level of productivity. This modular family of products replaces the previous range without creating any gaps in the items we offer.

Similar work was carried out for the Bond Cluster, which has been increasingly successful with manufacturers. A new variation of the Substrate Bonder was also provided for the sharply growing light-emitting diode (LED) market. The wafers needed for the manufacture of LEDs are not made from high-purity silicon, which contains only one chemical element. Instead, they are based on so-called compound semiconductors of type III-V or II-VI. These are made up of gallium arsenide (GaAs) or indium phosphide (InP) or as many as four chemical elements such as InGaAsP, in the form of a so-called quaternary semiconductor. These wafers are very expensive and can only be produced with small diameters, typically up to 2" (51 mm). If these small wafers are processed in Substrate Bonders, it is preferable to process several of these small wafers together each time the Bonder is loaded. The new LED-multibonder developed by us enables eight wafers of 2" diameter to be processed in one work cycle. This has great benefits for the productivity of the LED manufacturers, who are interested in high output because of the large quantities they produce.

And finally, we are continuing to work on several projects in the field of nanotechnology. For the future technology known as nanoimprinting we have already been able to largely complete the nanostepper NPS300, which was derived from the Device Bonder technology. This project has been and is still supported by EU subsidies: thus with manageable internal investments, we have already been able to provide two internationally renowned research facilities with machinery for the development of future manufacturing processes. This will enable us to be part of an

innovative market if the new technologies find their way into the production of semiconductors and nanosystem products in the not-too-distant future.

R&D – Expenditures in an annual comparison
(in EUR millions)



Total expenditure for research and development remained virtually unchanged in an annual comparison. The noticeable increase in capitalizing of development services can be attributed mainly to the C4NP project. Based on the higher sales in 2005, the quota (in percent of sales) remained at 7.6%.

The number of employees in the area of R&D and Prototyping totaled 112 at the end of 2005 (+8.7% compared to 2004). Our intention is to strengthen this group of employees, which is so important for our future, but also to invest in applications and process development.

4. OVERVIEW OF BUSINESS DEVELOPMENT

In the year under review, the world economy continued to be on a stable course of growth. It grew by approximately 4%, fueled mainly by the continued positive development in Asia. Based on this information, we are assuming that the consumer climate has not changed significantly compared to 2004.

The markets of relevance to us developed in different ways. Worldwide sales of semiconductors, for example, increased by approximately 8% compared to the previous year. The semiconductor supplier industry, on the other hand, had to deal with a sales decline of 11% (source: SEMI). The sales trend within our Company demonstrated again in 2005 that SUSS MicroTec is not directly dependent on the cycles of the semiconductor supplier industry.

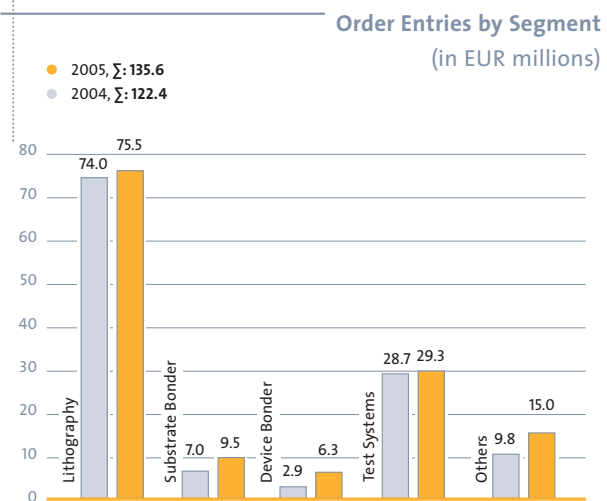
Thus, after the first nine months of 2005, both cumulative sales and order entries were below the levels of the previous year. Only an extremely strong fourth quarter, in which both deliveries and order entries exhibited significant rates of increase, ultimately resulted in higher numbers in both areas in a total year comparison.

With respect to currency development, the effects on sales and order entry were negligible. The average price used for this purpose changed only slightly. However, we did see noticeable book profits due to the considerably stronger US dollar on the balance sheet date (USD 1.18/EUR 1.00 as of 12/31/2005 compared to 1.36 as of 12/31/2004).

Sales and Orders Position in the Segments

The positive trend in order entry and sales that had started in 2004 was then continued over the entire year. The individual orders and/or special market features indicated below, which are not expected to be permanent and recurring, are some of the factors responsible for the high order entry in the fourth quarter of 2005:

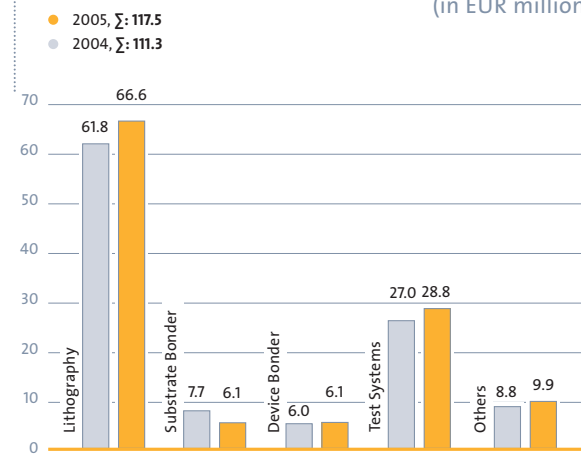
- Large order for advanced packaging EUR 5.7 million
- Replacement investment for large customer EUR 3.2 million
- Device Bonder EUR 3.2 million
- Large orders for Substrate Bonder EUR 3.3 million



In total order entry amounted to EUR 135.6 million, compared to EUR 122.4 million in 2004 – plus 10.8%. It was mainly C4NP (included in the "Others" segment) that was responsible for the growth in order entry over the entire year as well as the recovery in the Substrate Bonder and Device Bonder segments. Development within the segments will be explained in more detail elsewhere.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| ► OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| PROGNOSIS REPORT |

Sales by Segment
(in EUR millions)



The increase in sales in the Lithography segment was based mainly on the growth in coaters, with the semi-automatic Spin Coater product line ("Gamma" product line), in particular, turning out to be very competitive for over two years now. In the other segments, sales were approaching the levels of the previous year, which indicates a relatively unchanged investment disposition within our markets in the year under review.

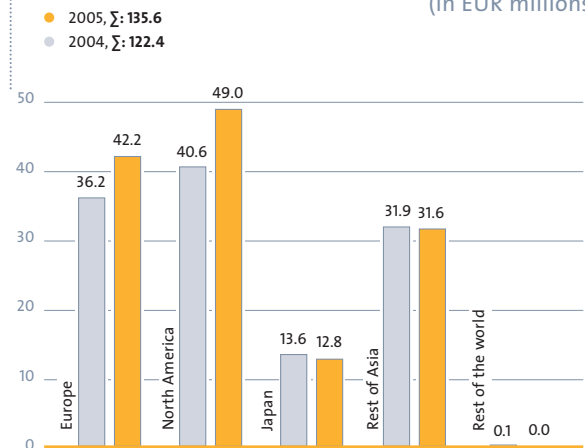
Sales and Orders Position in the Regions

An observation of the regions showed some shifts. Europe and North America experienced positive development during the year, while Asia and Japan lagged behind the previous year, particularly in sales. The markets are typically most represented in the following regions:

- Microsystems technology and compound semiconductors: Europe, North America and Japan
- Test systems: Europe and North America
- Advanced packaging: the rest of Asia

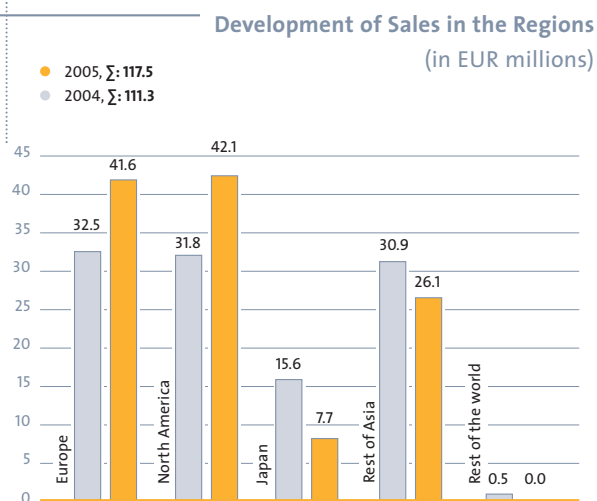
Of course it must be pointed out that regional shifts in the development of order entry and sales are not necessarily tied to a shift within our target markets. That has to do with the fact that globally operating customers have installed factories as needed in all regions. Changes in the regional distribution therefore only show where the investment has taken place. We are assuming that within the targeted markets as a whole, no significant changes took place compared to the previous year.

Development of Order Entries by Region
(in EUR millions)



As for the sales trend, however, there were significant shifts within the regions. They increased significantly in a year-on-year comparison in Europe and North America. In Asia (excluding Japan) sales fell behind compared with the previous year. We can trace this back to the focus on production machines in this region, which generates higher volatilities. While the smaller and the manual systems provide a permanent and ongoing sales share in the other regions, this is only the case for smaller components in the Asia region. In 2005 several orders were only acquired at the end of the year here as well. Also, machinery was in some cases only delivered late in the year, and could no longer be recorded in sales due to lack of inspection by the customer.

In Japan, sales declined by more than 50%. For one thing, this had to do with the fact that at year-end 2004 the order book was more or less paid out. For another, more than one third of the order entry for 2005 in Japan was not realized until the fourth quarter. We are not anticipating a change or deterioration in the market or competitive environment for our Company in Japan, since the order entry was only marginally below the level of the previous year.

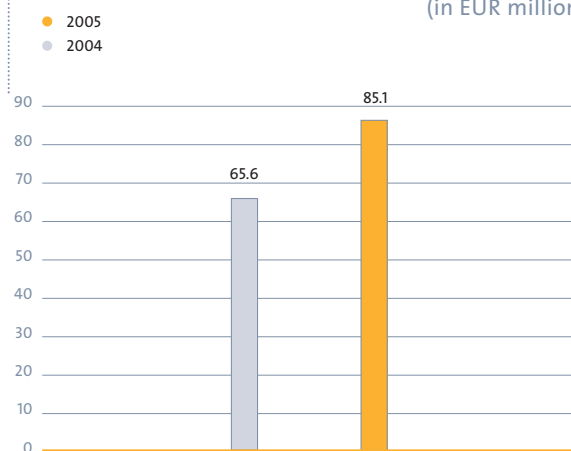


Order Backlog in the Group

The ratio of newly received orders and recognized sales, otherwise known as the book-to-bill ratio, was at 1.15 in 2005 (2004: 1.10). The most significant extraordinary effect in 2004 was a value adjustment amounting to EUR 4.3 million for an item that we do not expect to be delivered in 2005 or 2006.

The order backlog usually contains orders that will be credited to sales in the next 5 to 9 months. In addition to the production time itself (usually up to 6 months), this time frame also includes the inspection process (usually up to 3 months after delivery).

Order Backlog in the Group

(in EUR millions)


The order backlog as of year-end 2005 was 30% above that of the previous year. The increases pertained mainly to the regions of North America and Japan.

The order backlog at the end of 2005 includes orders amounting to EUR 8.1 million, which we do not anticipate will be realized in sales in fiscal year 2006. Since the delivery is however planned for this year, these items remain in the order backlog.

BUSINESS DEVELOPMENT IN THE INDIVIDUAL SEGMENTS:

Lithography

The Lithography segment includes the development, production and sales of the product lines Mask Aligner and Coater, and is based in Germany, mainly at the locations Garching near Munich and Vaihingen near Stuttgart. In addition, sales units in North America and Asia carry out important work for this segment. Lithography represents well over half of the total business of the Group and is strongly represented in the microsystems technology, compound semiconductor and advanced packaging markets.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| ► OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| PROGNOSIS REPORT |

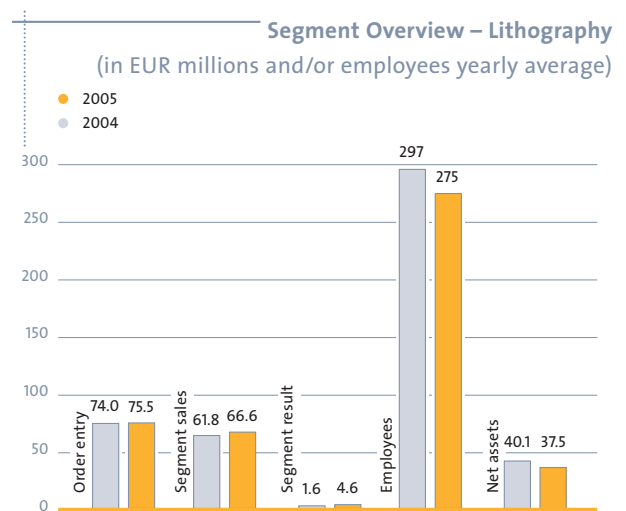
We are pleased to report that in the year under review, the most important indicators for this segment improved in a year-on-year comparison. The main factor responsible for this positive trend was the continued good business position of the Coater. This was because the development of the Mask Aligner was in 2005 still being influenced by restructuring, which entailed the closing of the Aßlar plant around mid-year. The production based there, mainly manual Mask Aligner machines, was integrated into the Garching plant. This involved cutting 39 employees. By contrast, the technical competence and service capacity were expanded in the individual regions.

Order entries for Mask Aligner developed very sluggishly during the first 9 months: cumulative orders for new machines were as much as 40% below the previous year's levels. A positive trend materialized in the fourth quarter, however, resulting in orders for new machines amounting ultimately to only about 12% (EUR 30.1 million in 2005 compared to EUR 34.3 million in 2004) below that of the previous year's level. Sales development turned out to be somewhat better (EUR 27.2 million in 2005 compared to EUR 28.8 million in 2004; -5%).

The positive trend for Coater in 2004 continued into 2005. The semi-automatic "Gamma" product line continued to enjoy great popularity. The product is well accepted not only by the Asian foundries producers, but also by the chip manufacturers in microsystems technology and compound semiconductors. Overall, the demand for automatic devices remained relatively stable. They are used primarily for 8-inch wafers in the production of microsystems and in advanced packaging (8 and 12-inch wafers in this case). The manual devices are used mostly in universities and commercial research facilities. They are also used for smaller production applications, however, for compound semiconductors and in microsystems technology.

The order entry for Coater was again significantly increased by over 20%, from EUR 27.6 million in 2004 to EUR 33.2 million. A similar scenario emerged for sales. They increased to EUR 27.9 million in 2005 compared to EUR 23.0 million in 2004 (+21%).

Taking into account service and spare parts, order entry in the Lithography segment amounted to a total of EUR 75.5 million (previous year: EUR 74.0 million; +2%). Segment sales amounted to a total of EUR 66.6 million (previous year: EUR 61.8 million; +8%).



Segment earnings improved from EUR 1.6 million to EUR 4.6 million (EUR +3.0 million), which can be attributed mainly to an increase in gross earnings from EUR 26.6 million to EUR 29.4 million (EUR +2.8 million). The gross profit margin increased from 43.0% to 44.2%. Specific charges against earnings in 2005 were brought about by the consulting costs for the restructuring (approx. EUR 2.0 million) and negative effects on performance in connection with the sale of real estate in Aßlar (EUR 0.5 million non-scheduled depreciation).

The decline in segment assets (net) from EUR 40.1 million in 2004 to EUR 37.5 million in 2005 (-7%) with respect to current assets can be attributed mainly to the successful reduction of inventories by EUR 2.2 million (-7%). Moreover, in addition to the depreciation of capitalized R&D services, the disposal of the Aßlar real estate was the major factor responsible for the decline in fixed assets by 14%. With respect to declining liabilities, the decrease in customer prepayments (EUR 17.6 million compared to EUR 22.3 million in the previous year; -21%) is worth mentioning.

Substrate Bonder

The development and production areas of the Substrate Bonder segment are located at the Waterbury site in Vermont in the USA. Sales are taken care of in Waterbury and also in small based in critical locations throughout Europe and Asia.

Over the last several years, the entire portfolio was replaced by newly developed machines. Penetrating the market with these systems continues to have top priority, and we are convinced that we have taken another step in this direction in 2005.

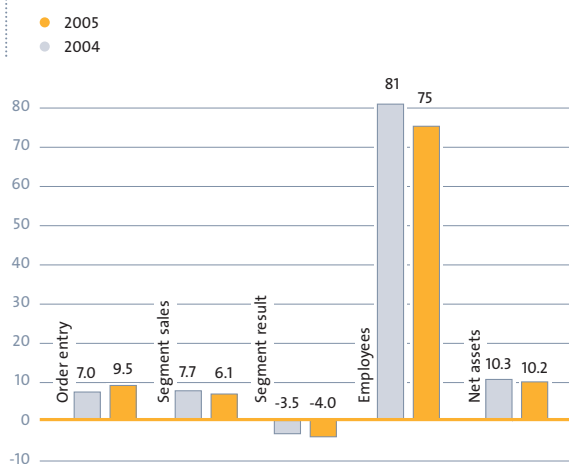
The so-called Bond Cluster, which enables vacuumless bonding, represents a particularly important pillar for this segment. Manual machines for 6 and 8-inch wafer applications are also offered. Due to the high unit price of the Bond Cluster, its development largely characterizes the business trend of this segment.

In 2005, the position of manual devices in the market was improved. The order entry increased noticeably in North America and Asia, in particular. The demand for the Bond Cluster increased slightly compared to the previous year. Applications for wafer bonding, in particular, will continue to increase in the future – not

least due to the increasing significance of chip-stacking and of SOI (Silicon-on-Insulator) bonding.

But due to the tail-heavy order entry, i.e. a large order entry only at the end of the year, sales were below the level of the previous year. Order entry for the segment amounted to EUR 9.5 million (previous year: EUR 7.0 million; +36%). Segment sales amounted to EUR 6.1 million (previous year: EUR 7.7 million; -21%).

Segment Overview – Substrate Bonder (in EUR millions and/or employees yearly average)



The negative segment results increased from EUR -3.5 million in the previous year to EUR -4.0 million, with gross earnings of EUR 0.6 million 36% below that of the previous year. The gross profit margin for this product line is currently still quite low at 10.1% (previous year: 12.5%). This is due to both the continuing under-utilization of the plant at Waterbury, and the learning curve effects that are not yet discernible as positive. The R&D expenses again increased considerably from EUR 1.0 million to EUR 1.8 million, in order to achieve sufficient product maturity as quickly as possible. We are going on the assumption that the margin will increase considerably starting in 2006.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| ► OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| PROGNOSIS REPORT |

The segment assets (net) changed only marginally. The inventories increased by EUR 1.7 million compared to an increase in customer prepayments of EUR 1.5 million.

Device Bonder

The Device Bonder segment is based in St. Jeoire, France. In addition to development and production, important components of the sales organization are located here. Due to the technical complexity and the small size of the market, there are no other significant sales organizations working for this segment within the Group.

The business environment for Device Bonder remains challenging and difficult to estimate. Following a very weak 2004, the product line also developed negatively in the first nine months of 2005, and in order entries even lagged behind 2004 values. A large portion of the order volume for 2005 was not realized until the fourth quarter.

In principle, a product described as “highly precise and with a low capacity” is placed in a very narrow market. During the years 2000 and 2001 the product line experienced a boom in the field of optical networks, which ended abruptly in 2002. No sufficiently large, newly approachable market has developed since that time.

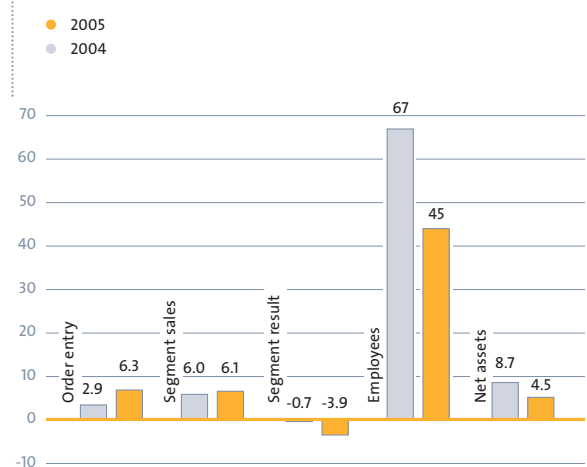
As a result, the number of employees again had to be drastically reduced in the year under review, from 66 to 37. The cost basis was thereby reduced to such an extent that the segment was at least expected to achieve a break-even result in 2005.

During 2005, several considerations were initiated as to how to proceed with this product line in the future. This was also announced previously in the Management Report of the 2004 annual report. Luckily there was a noticeable upturn in order entry in the fourth quarter of 2005, which was based mainly on applications in infrared sensor technology. Several orders were acquired in Asia.

The long-term perspective, which is currently inadequate, resulted in corresponding value adjustments in the year under review. Whether the improved order entry in the fourth quarter of 2005 is sustainable can only be determined during the current year.

Order entry for the segment amounted to EUR 6.3 million (previous year: EUR 2.9 million; +114%). Segment sales were EUR 6.1 million (previous year: EUR 6.0 million; +2%).

Segment Overview – Device Bonder (in EUR millions and/or employees yearly average)



Segment earnings amounted to EUR -3.9 million (previous year: EUR -0.7 million). The following extraordinary value adjustments were the main factors behind these losses:

- Full write-down of the allocated goodwill EUR -1.8 million
- Partial write-down of real estate at St. Jeoire EUR -1.1 million
- Partial write-down of the inventory EUR -0.8 million

The gross profit margin declined from 64.0% the previous year to 32.5%. The high margin in 2004 benefited quite positively, mainly from the partial sell-off of inventories that had already been adjusted in value.

The significant decline in segment assets (net) of 48% can be attributed to the value adjustments of the current and non-current asset values.

In addition, declining receivables portfolios (EUR -1.4 million) were essentially compensated for by declining customer prepayments (EUR -1.3 million).

Test Systems

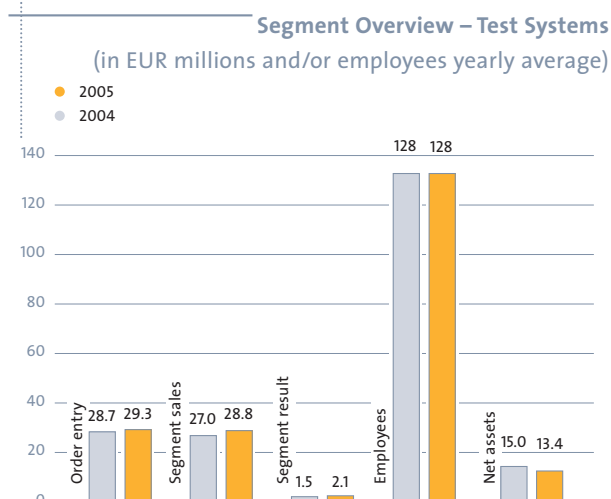
This segment represents approximately one quarter of the Group's business volume and is domiciled in Sacka near Dresden. Development, production and sales in Europe are primarily located there. Within the international sales organizations (North America, Asia), this segment employs the most staff second only to Lithography.

Test Systems stands out mainly due to its less cyclical business development. Development in 2005 was also typical for this segment: moderate yet sustainable growth with positive segment earnings.

Our Prober is designed mainly for laboratory applications, particularly error analysis, but also to some extent applications in the production environment (microsystems technology, LED test systems). But we definitely do not address the volume markets in the field of semiconductor production. By concentrating on particular applications, we have been able to assume a good position on the market for ourselves, which has led to the above-mentioned positive development. Still it was evident in 2005 that the main competitor and market leader, Cascade Microtech in den USA, intensified pressure on the market.

Of the regions, Europe proved to be the strongest with over 40% of the total business. Our Prober is less strongly represented in Asia, since the major focus here is on products for mass production. We only approach this segment with our products in border areas.

Order entry increased slightly in the year under review from EUR 28.7 million to EUR 29.3 million (+2%). As far as sales are concerned, growth was somewhat greater, with 7% being achieved for a total of EUR 28.8 million (previous year: EUR 27.0 million).



Segment results could be increased in 2005 from EUR 1.5 million to EUR 2.1 million. However, due to the increased competitive intensity, the gross profit margin decreased from 42.3% to 39.6% in a year-on-year comparison. The growth in segment results can be traced back mainly to a decrease in R&D expenditure of EUR 0.4 million and improvements in the other operating income of EUR 0.4 million.

The decline in segment assets (net) is based, among other things, on inventories reduced by EUR 1.0 million as well as increased customer prepayments of EUR 2.1 million.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| PROGNOSIS REPORT |

Others Segment

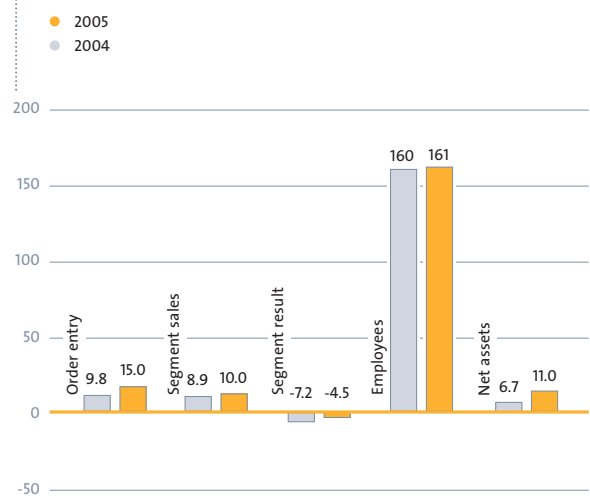
The Others segment includes mainly our Mask business for the semiconductor industry (Palo Alto, California, USA). Included here also are our activities in micro-optics (Neuchâtel, Switzerland) and other activities. The C4NP business segment is currently also accounted for in this segment. As soon as C4NP achieves the appropriate level of importance for an operating business for the Group, we will create a separate segment for it. At present, however, C4NP is not yet contributing any real sales, so that no separate representation will take place until further notice. The costs for Group functions that cannot be attributed to the segments are also included here.

Both the Mask and Micro-optics divisions developed positively in the year under review. Sales growth were recorded in both cases. While segment results could be considerably increased for Masks, they declined in the case of Micro-optics due to the significantly reduced gross profit margin. Both segments contributed to positive segment results in the years 2004 and 2005.

The profit contribution of C4NP was insignificant in 2004 and 2005, since at present primarily development activities to be capitalized are accruing.

The expenses of the Group holding company represent a major portion of the administrative expenses and thus also of the negative segment results, provided they are not allocated to the segments.

Segment Overview of Other Segments (in EUR millions and/or employees yearly average)



Segment losses decreased from EUR -7.2 million to EUR -4.5 million. The administration costs decreased in a year-on-year comparison by EUR 2.2 million, with extraordinary effects being responsible for the higher cost basis in the previous year. The costs for marketing were reduced by EUR 0.6 million in 2005 compared to the previous year.

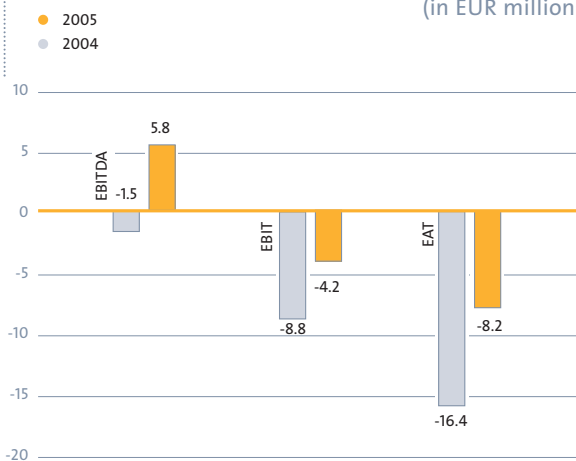
The capitalization of development costs for the new C4NP product line was largely responsible for the increase in the net segment assets.

5. EARNINGS, ASSETS AND FINANCIAL POSITION

Earnings Position

The earnings situation in the SUSS MicroTec Group is more strongly dependent on the development of sales than that of other companies. For example, sales growth of 20% leads to an improvement of 40% in earnings. In our case, increasing sales accompanied by relatively constant administration, selling, research and development costs generally leads to a sharp increase in gross earnings. This has a direct impact on the EBITDA (earnings before interest, taxes and depreciation).

Development of Significant Performance Figures
(in EUR millions)



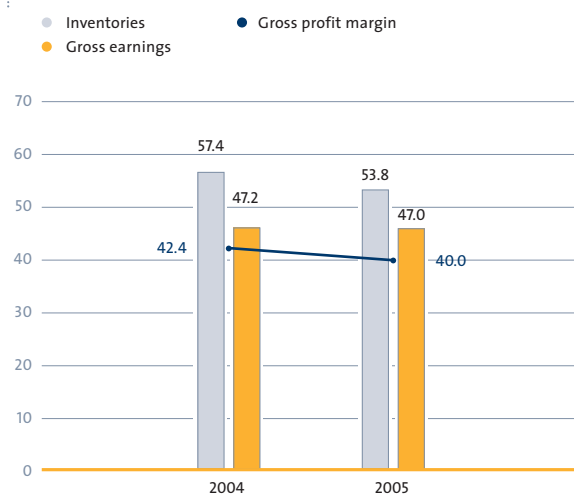
It was not yet possible to bring about a rebound in the earnings trend even in 2005. As in the preceding years, significant extraordinary items had an effect on earnings in 2005. We refer in particular to our comments on the Lithography and Device Bonder segments on this topic.

Operating performance, on the other hand, improved considerably. Thus we were able to achieve a positive EBITDA of EUR 5.8 million (previous year: EUR -1.5 million) for the first time since 2001.

Gross earnings and gross profit margin were lagging in a year-on-year comparison. Added to this, parts of the above-mentioned extraordinary effects had a negative impact on the gross earnings achieved from operations.

- Gross earnings decreased from EUR 47.2 million in the previous year to EUR 47.0 million.
- The gross profit margin decreased from 42.4% to 40.0%.

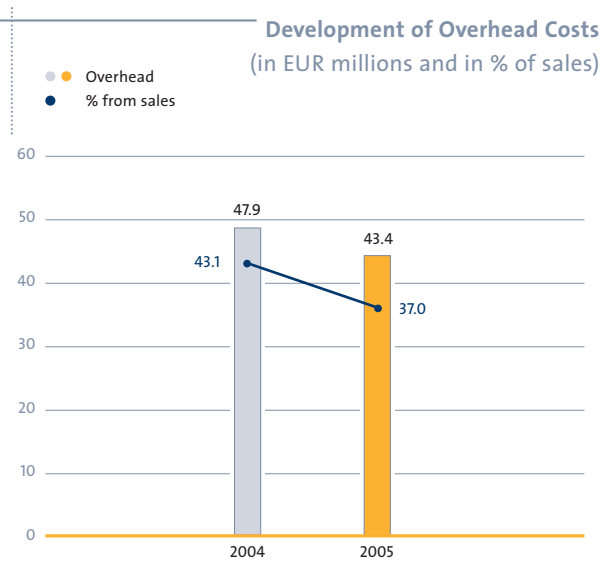
Development of inventory and gross earnings
as well as the gross profit margin
(in EUR millions) (% of sales)



Within the product lines, the Substrate Bonder and Device Bonder segments were the main segments exhibiting weak margins, caused by a low level of product maturity, utilization problems and value adjustments, among other things. In the Lithography and Test Systems segments, on the other hand, margin development was influenced more by price pressure.

Fortunately, the inventories could be noticeably reduced during the year. They decreased from EUR 57.4 million to EUR 53.8 million (-6%).

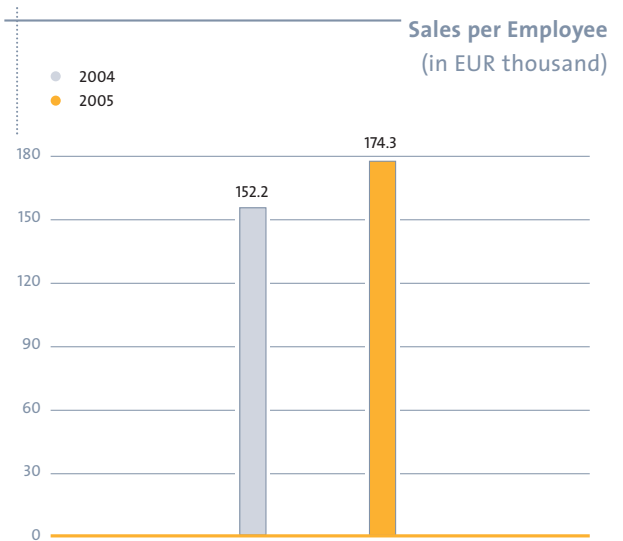
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| GROUP STRUCTURE AND BUSINESS ACTIVITIES* |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY* |
| RESEARCH AND DEVELOPMENT* |
| OVERVIEW OF BUSINESS DEVELOPMENT* |
| ► EARNINGS, ASSETS AND FINANCIAL POSITION* |
| EMPLOYEES* |
| ENVIRONMENT* |
| EVENTS AFTER THE BALANCE SHEET DATE* |
| RISK REPORT* |
| PROGNOSIS REPORT* |



Due to further savings in the year 2005, the administration and selling costs were significantly reduced from EUR 47.9 million to EUR 43.4 million (-9%). This also resulted in a significantly lower cost quota (37% in 2005 versus 43% in 2004) compared to sales. The savings were achieved mainly from streamlining the management structures and substantially consolidating the marketing activities.

Included in the other operating expense and income, a profit was realized (EUR +1.0 million) due to the US dollar regaining its strength in 2005, while a loss had occurred in the previous year (EUR -1.2 million).

Income taxes were affected by valuation allowances on deferred tax assets resulting from loss carry-forwards and temporary differences.



Net sales per employee (calculated on the year-end value) increased compared to the previous year by 14% from EUR 152,000 to EUR 174,000.

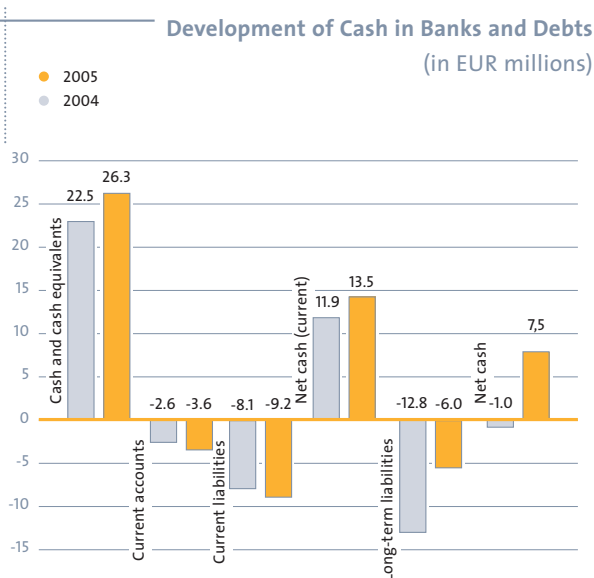
Financial Position and Net Assets

Our target is to always maintain a sufficient short-term liquidity reserve for the operating business, so as to be able to finance an erratic increase in orders and the associated large investments in working capital. This reserve should always be available as cash in hand; credit lines are to serve as an accompanying measure. The credit lines in Germany which expired on December 31, 2005 (EUR 8.5 million) are to be reestablished in a similar amount in 2006.

The present surplus of net cash will be maintained, provided no significant activities in the area of mergers and acquisitions or rather large investment projects are planned. If such activities came to fruition, we would attach great importance to an adequate maturity pattern for additional financing needs. Our financing policies have without doubt been largely responsible for our handling of the difficult corporate development since 2002 with respect to liquidity and liabilities.

In addition to the inflow from the operating business, the liquidity development in 2005 was characterized mainly by activities within the liabilities section of the balance sheet. An increase in capital stock with a subscription offering was carried out in the year under review, and the major portion of the convertible bonds issued in 2003 was redeemed.

The key liquidity figures turned out to be positive in a year-on-year comparison. The receivables portfolio was reduced despite the increase in sales, while the customer prepayments decreased somewhat. Overall, we are entering the current fiscal year clearly invigorated as of the end of 2005. The overall situation pertaining to debts has improved considerably during the course of the year. The current liquidity surplus (maturity of 1 year) has thus improved from EUR 11.9 to EUR 13.5 million. Overall, the net cash position at year-end 2005 amounted to EUR +7.5 million (previous year: EUR -1.0 million).



The principal redemption payments due in the first half of 2006, most importantly the second tranche of the convertible bonds (EUR 3.6 million) and the project financing of IBM Kreditbank GmbH (EUR 2.5 million as of 12/31/2005), can be serviced from the existing liquidity.

As for the working capital, the reduction of inventory by EUR 3.6 million is particularly noteworthy. By contrast, there was a reduction of other current provisions in the amount of EUR 2.7 million. We are satisfied with the development of inventory in 2005, although the customer prepayment quota – as expected – did not increase.

The principal changes in the current assets can therefore be attributed to the increased cash holdings and the decreased inventories. The decrease in the noncurrent assets can be attributed mainly to the following events:

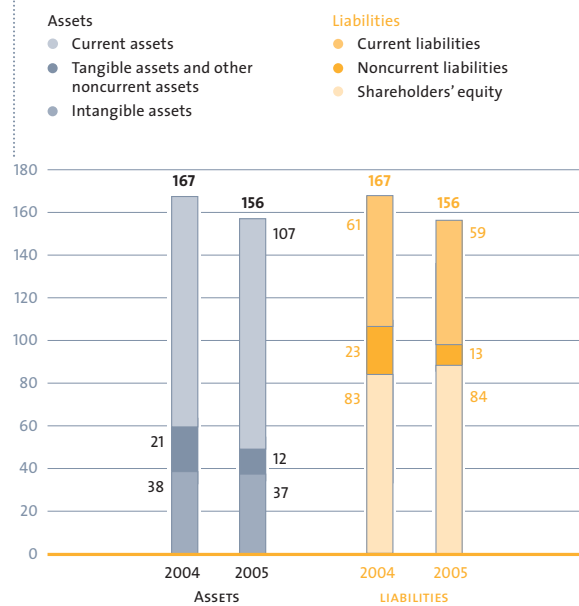
- Write-down and disposal of the Aßlar real estate EUR 1.7 million
- Write-down of the St. Jeoire real estate, France EUR 1.1 million
- Change in the deferred tax assets EUR 6.5 million

Due to the US dollar regaining its strength, the value adjustment of the goodwill for the Device Bonder (EUR 1.8 million) was again partially compensated.

The Group balance sheet structure thus continues to remain stable. The equity ratio improved from 50% to 54%.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| OVERVIEW OF BUSINESS DEVELOPMENT |
| ▶ EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| PROGNOSIS REPORT |

Group Balance Sheet Structure (in EUR millions)



Investments

Due to the structure of the Company, investments in tangible assets are not a significant component of the corporate development. The essential value-added arises from the design, assembly and adjustment of components and the respective software management. No special equipment or machinery is needed for these activities. The only exceptions to this are the product lines Photo Mask and Micro-optics included in the Others segment. Both cases entail small series production, which requires the respective production machinery. Investment in these areas leads directly to a significant increase in tangible asset investment within the Group.

We are assuming that investment in tangible assets will continue to be within the range of approx. 2% – 3% of sales.

While development services within the Group were reported immediately to expenditure under the US-GAAP system, according to IFRS and upon fulfillment of certain criteria, the development services are to be capitalized and systematically depreciated. Since the development of new products represents one of the most important activities for safeguarding the sustained development of the Company, under IFRS a certain portion of the development services is now reported as investment in intangible assets.

The development of machines for the C4NP technology represented the greatest share of investments in 2005. In the future we anticipate that of the approximately EUR 8 million to EUR 10 million spent on research and development, approximately 25% to 35% will be capitalized and the remaining amount will be recorded as expenditure.

The Holding Company – SUSS MicroTec AG

(Please note: it would be our pleasure to provide you with the individual financial statements of SUSS MicroTec AG. If you are interested, please contact our Investor Relations department.)

The task of the holding company is to control and manage the SUSS MicroTec Group. Among other tasks it takes on are strategic alignment, (e.g. for expanding the product portfolio), acquisitions and financing for the entire Group. The holding company is also responsible for the Group's corporate identity in the investor relations and marketing areas.

SUSS MicroTec AG is usually the sole shareholder in the companies included in the consolidated financial statements. Loans from the holding company are made only to subsidiaries. The holding company's earnings position as an individual company does not depend directly on the development of our markets. The holding company refinances itself essentially by allocating the allocable costs to the operating companies.

Significant Changes in the Assets and Liabilities of the Holding Company

The loans and receivables of the parent company to affiliated companies declined in a year-on-year comparison from EUR 46.7 million to EUR 41.1 million. This reduction also includes the setting off of development costs for C4NP with existing liabilities.

From the loan agreement entered into the previous year with IBM Deutschland Kreditbank GmbH for a sum of EUR 3.4 million, another partial amount of EUR 1.3 million was paid out during the fiscal year. The loan agreement is being used to finance the development of a production machine according to a Joint Development Agreement with IBM Corporation, USA. A variable interest rate in the amount of the one-month Euribor plus 5.15% per year was agreed. Payout of the loan is based on the progress of the project. As of the balance sheet date, a total of EUR 2.5 million had been paid out. The loan must be completely reduced on June 30, 2006 at the latest.

On October 31, 2005 in accordance with the contract, the Company paid back a partial amount of the convertible bonds issued in November 2003 in the amount of EUR 5.6 million. As of the balance sheet date, the total amount of the convertible and warrant-linked bonds still amounted to a total of EUR 4.0 million.

When issuing the convertible bonds in 2003, the Company transferred the amount accruing for the conversion privilege as a premium in the capital reserves in accordance with § 272 Para. 2 No. 2, German Commercial Law. The difference between the repayable amount of the bonds recognized in liabilities and the issue amount of a pure bond without conversion rights was capitalized under the prepaid income as a discount according to § 250 Para. 3 p. 1, German Commercial Law. The discount is released over the term of the bond and as of December 31, 2005 still amounts to EUR 0.1 million (previous year: EUR 0.7 million).

The subscribed capital was increased to EUR 16,612,968 from the approved capital on August 26, 2005 by issuing new shares in exchange for a cash contribution of EUR 1.5 million. The subscription price for the new shares was EUR 4.70 per share. Overall, a

gross influx of funds of EUR 6.8 million resulted from the increase in capital stock. The Supervisory Board approved this increase. The new shares are fully entitled to a share in the profits for fiscal year 2005. Registration in the commercial register took place on September 6, 2005.

As a result of a total of 180,000 subscription rights having been exercised within the exercise periods provided in the Stock Option Plan 2002, the common stock from the contingent capital 2002/II was increased by EUR 0.2 million to EUR 16.8 million through the issuing of new shares in exchange for a cash contribution. The application for registration in the Commercial Register was completed in January 2006.

The current finance requirements are covered by the existing liquid cash resources. These resources have increased by EUR 5.8 million compared to the previous year.

Significant Events Effecting the Earnings Position of the Holding Company

In the annual financial statements of SUSS MicroTec AG under commercial law, there was a net loss for the year of EUR 0.5 million in fiscal year 2005 (previous year: EUR -3.4 million).

The profit pooling agreement with SUSS MicroTec Test Systems GmbH, Dresden, became effective in 2005. Through this agreement, EUR 0.2 million was recognized as income for SUSS Holding.

Other operating income was represented primarily by foreign currency gains of EUR 3.2 million and by income unrelated to the accounting period from the writing back of provisions of EUR 0.8 million.

The other operating expenses are characterized mainly by the continued burdening of development services amounting to EUR 3.6 million as part of the C4NP project and by foreign currency losses amounting to EUR 2.3 million.

At the end of fiscal year 2005, there were 16 employees (previous year: 20) and 2 Management Board members actively employed at SUSS MicroTec AG.

GROUP STRUCTURE AND BUSINESS ACTIVITIES

MANAGEMENT CONTROL, OBJECTIVES
AND STRATEGY

RESEARCH AND DEVELOPMENT

OVERVIEW OF BUSINESS DEVELOPMENT

▶ EARNINGS, ASSETS AND FINANCIAL POSITION

▶ EMPLOYEES

ENVIRONMENT

EVENTS AFTER THE BALANCE SHEET DATE

RISK REPORT

PROGNOSIS REPORT

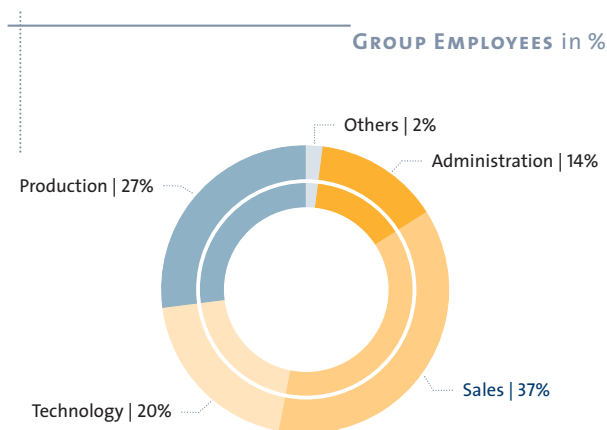
Presentation of Key Financial Figures of the Holding Company (in EUR thousands):

| Company | SMT AG (German Commercial Law) | | | |
|--------------------------|--------------------------------|---------|--------|------|
| | 2005 | 2004 | Change | in % |
| Net loss for the year | -545 | -3,417 | 2,872 | -84% |
| Shareholders' equity | 99,171 | 92,215 | 6,956 | 8% |
| Balance sheet total | 115,837 | 116,575 | -738 | -1% |
| Capital ratio in % | 86% | 79% | | |
| Fixed assets | 77,877 | 84,562 | -6,685 | -8% |
| % of balance sheet total | 67% | 73% | | |
| Current assets | 37,961 | 32,013 | 5,948 | 19% |
| % of balance sheet total | 33% | 27% | | |

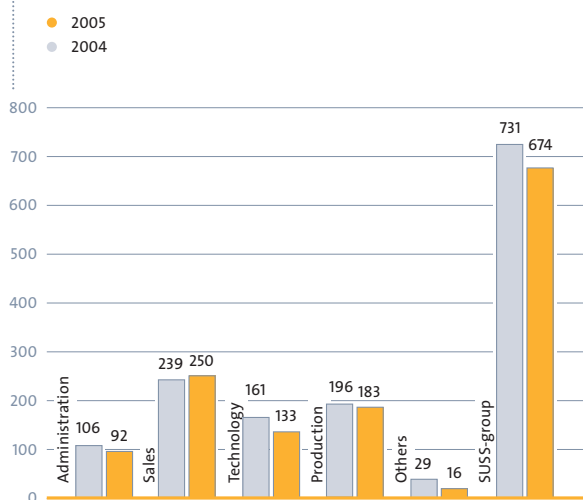
6. EMPLOYEES IN THE GROUP

Our employees and their knowledge make up a substantial part of our corporate value. The training periods, particularly in the technical area, are longer than one year because of the highly specific nature of the products. For that reason, a motivating environment and performance-related pay are basic prerequisites for the retention of existing staff members and the acquisition of qualified new recruits.

SUSS MicroTec has already transferred a large percentage of the value-added in the manufacturing of its products to external companies. The material quota is generally at 60% – 70%. This means that a significant portion of 57% of the employees are not involved in production, but in (technical) sales and marketing, service and in sales support and the internal development division. Employees in production represent only 27% of the total workforce.



Development of Number of Employees by Division



At the end of 2005 there were 674 employees (previous year: 731; -7.8%) working in the individual companies of the Group. In the reporting year, the following actions caused a change in the number of employees:

- The closing of the Aßlar plant in 2004 resulted in a reduction of 39 employees.
- In sub-divisions in Garching the number of employees was built up in order to provide sufficient capacities for the activities relocated from Aßlar to Garching.
- There was a reduction of personnel in the administrative and sales areas in several companies as part of an overhead cost reduction program.
- Eighteen positions were eliminated at the St. Jeoire plant in France as part of a further reduction of the cost basis.

As already stated the previous year, our long-term goal is to set up, maintain and develop a core workforce, which can be offered a far-reaching perspective within the SUSS MicroTec Group.

7. SUMMARY STATEMENT ON THE ECONOMIC POSITION

After 2001 the Group was unable to achieve a positive after-tax result again until 2005. During this time, personnel were cut back by approximately 30% and some sites were even closed. Despite this, the financial position was secured to such an extent during this time that there were no liquidity shortages. At year-end, the financial position was again improved; we had a clearly positive net cash position as of December 31, 2005.

The results of operations remained unsatisfactory in the year under review. However, we were able to achieve a positive EBITDA, which is expressed by the significantly improved earnings performance. We did not achieve our goal of a break-even result, due to the previously mentioned extraordinary effects, among other things.

8. ENVIRONMENT

Very few environmentally harmful substances are used or originate in our production process. However, our customers use a number of chemical materials in the production of semiconductors and microsystems. Our contribution to the sustained safeguarding of our environment is therefore essentially dependent on the processes and materials used by our customers in the production process.

We can, however, make an indirect contribution by producing machines that enable the use of more environmentally friendly materials. The C4NP process developed by IBM, for example, allows chips to be processed lead-free.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| ▶ EMPLOYEES |
| ▶ ENVIRONMENT |
| ▶ EVENTS AFTER THE BALANCE SHEET DATE |
| ▶ RISK REPORT |
| PROGNOSIS REPORT |

In addition, our products are used in the automotive supplier industry, for example, in the production of sensors which effectively increase the safety in road traffic: airbags and anti-lock braking systems ensure that individual mobility becomes increasingly safer. But work safety also plays an important role internally: in collaboration with the employers' liability insurance association, the employees of SUSS MicroTec are regularly trained on the topic of safety in the workplace. The clean rooms comply with strict safety standards, meaning that working with hazardous chemicals can take place with as little risk as possible. In case of emergency, employees are also trained in specific first aid measures.

We are convinced that we are making an appropriate contribution to the sustained safety of our environment within the scope of the options at hand.

9. EVENTS AFTER THE BALANCE SHEET DATE

No events that required disclosure occurred between the balance sheet date and the date when the consolidated financial statements were drawn up.

10. RISK REPORT

The Company's global activity in the field of high technology exposes it to both general and current risks. In order to monitor risks in a suitable fashion, the Management Board has taken steps for the early recognition of developments that could imperil the continued existence of the SUSS MicroTec Group.

General Commercial Risks and Industry Risks

Political Framework

The existing potential for conflict in the Middle East could have a considerable impact on the development of business for 2006. Added to this are risks from the embargo policies in several Asian countries or for special customers of the Group, although these risks are of considerably lesser magnitude.

Cyclical Market Fluctuations and Market Trend

The lingering crisis in the semiconductor market and the difficulty of estimating the short-term and medium-term market development remain among the greatest risks of the Company. We meet these risks by means of adjusting the structures which are expected to be expanded externally for the most part – through outsourcing – in the event of continuously increasing business activities.

Market Position

New technological developments launched by our competitors can lead to the unplanned obsolescence of parts of the product portfolio, and thus parts 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 most important key customers.

Dependency on Individual "Know-How Carriers"

In some individual areas, particularly in the field of research and development, the Company depends on the knowledge of individual staff members. The non-availability of the staff members for the Group is therefore a risk, which the Company monitors by imposing internal documentation obligations.

Operating Risks

Assets and Earnings Position

If sales remain persistently low, appropriation valuation allowances could become necessary for assets of the holding company and for the consolidated balance sheet. Although these would have no substantial impact on liquidity, they would affect the earnings position of the Group and/or the parent company. Valuation regulations used throughout the Group ensure that appropriate valuation allowances are carried out to prevent latent overvaluations of inventories.



Pressure on Prices and Exchange Rate Trend

The current market environment continues to be determined by increased downward pressure on prices. This creates the risk that, even if markets recover, original target sale prices can no longer be attained. We counter this risk by pursuing a steady price policy, waiving orders if the terms are unattractive, so that we can guarantee customers consistent prices when the markets recover. Less easy to control are effects resulting from the current rapid decline in the value of the US dollar, in particular, since transactions in this currency zone are usually conducted at an unchanged US dollar price. We have already reacted to this and will continue to increase the proportion of value-added posted in the US. This, however, cannot be done at a speed, however, that matches the exchange rate movement. A fundamental risk could be inherent in the further long-term strengthening of the euro against the US dollar and the Japanese yen, as after a certain point the prevailing shares would no longer be optimal for earnings. We usually compensate for short-term fluctuations by engaging in hedging transactions. The safeguarding of the currency takes place up to 12 months in advance, with only a partial amount being safeguarded on principle. This is due to the unforeseeable nature of the course of business in this sector.

Access to Outside Capital and the Risk of Changes in Exchange Rates

We are expecting the framework conditions for the provision of outside capital to change, particularly as a result of the introduction of "Basel II". The minimization of dependency on outside capital, particularly short-term capital, ought to keep potential financing risks low. We counter this risk primarily by endeavoring to keep the portion of outside capital low appropriate cash flows, also ensuing from the optimization of working capital. The risk of changes in interest rates is limited, since the most important outside capital items are based on loan amounts with fixed interest rates.

Legal Risks, Especially Liability Risks

SUSS MicroTec's products are analyzed, monitored and optimized regularly in a process of comprehensive risk and quality management. The fact that the products are used in the production environment of companies whose demands regarding product quality are becoming more stringent can increase the liability risk for SUSS MicroTec. In addition to other insurance coverage, SUSS MicroTec has arranged for product liability insurance for the Group to minimize the potential risk.

Overall Risk

No risks that endanger the continued existence of the Group were identified in the fiscal year 2005. Its continued existence was at not endangered at any time from a point of view of substance or liquidity. The current capital reserves available were far in excess of the risk-adjusted capital (i.e. the capital ratio), that must at least be available to cover potential losses.

Risk Management System

To enable us to recognize and control risks and fulfill the legal requirements (Law on Control and Transparency in Companies – (KonTraG), the risk management system has long been a component of our corporate management.

In addition to short-term (operational) risks, the risk management at SUSS MicroTec concerns itself with long-term (strategic) developments that can have a negative impact on the business trend. On the basis of a opportunity-oriented but at the same time risk-conscious management, however, our objective is not to avoid all potential risks on principle. It is rather the case that we are constantly striving to achieve an optimum blend of risk avoidance, reduction and controlled acceptance. The awareness of risks should not impair the ability to recognize opportunities and use them for the benefit of the Company and its shareholders.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| ► RISK REPORT |
| PROGNOSIS REPORT |

Organization and Documentation of Risk Management

The organization of risk management is geared towards the functional and hierarchical structure of the Group. When the risk management system was introduced, a risk management officer was appointed; he reports directly to the Management Board every three months.

The risk management system that was installed is examined annually as part of the annual audit of financial statements.

Risk Identification

At least once per year, all of the units in the Group that must report organize a workshop not only deals retrospectively with events, but also looks at future developments. These workshops help to ensure that the standardized Group-wide assessment methodology is practiced.

On the basis of these workshops, quarterly risk reports are drawn up which assess known risks and address new topics.

In addition, risks that suddenly appear are reported immediately to the risk management officer in the respective unit.

Risk Assessment

The risks are assessed firstly by indicating the maximum amount of loss or damage that would ensue if no countermeasures were taken. Based on this, the value of the risk is then ascertained considering the probability of occurrence and the appropriate countermeasures. Like the calculation of the maximum loss or damage, the risk value rests on the knowledge and experience of the risk management officer and is therefore constantly updated. The indication of the risk value refers in each case to the next 12 or 24 months.

Risks are classified as “substantial” for the Company if they reach or exceed a maximum loss or damage of EUR 1 million either as individual risks or cumulatively.

Handling Risks

Depending on the type of risk and the assessment amount, graded measures are taken to avert or reduce the risk. In doing this, the risk management always adheres to the maxim of taking opportunities when handling of risks, which was mentioned in the introduction to this section.

Avoiding risks and organizing countermeasures are subsidiary activities. The responsible risk officers and/or the reporting units are obliged to develop and implement defensive strategies to counter recognized risks. If their areas of competence are insufficient for the task, they request help from more senior levels.

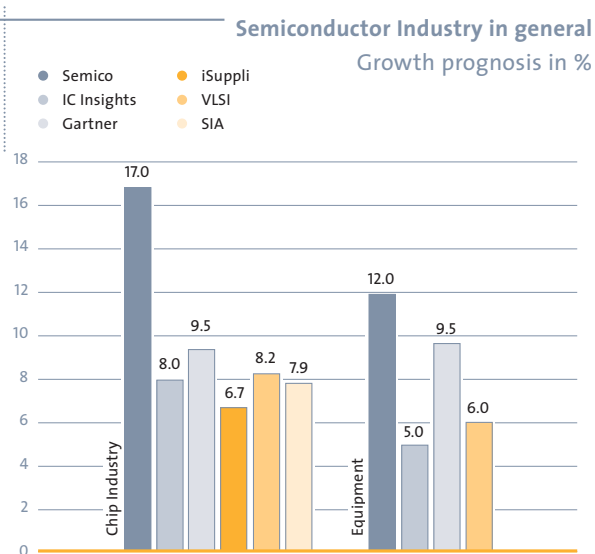
In 2004, to diminish reduce our risk position further, the existing Group-wide insurance program was optimized. With the help of a globally active broker, substantial improvements were achieved with regard to both the sums insured and the content of the insurance cover.

11. PROGNOSIS REPORT

For the current year 2006, the relevant indicators do not presently show any fundamental change in the business environment. This applies mainly to exogenous indicators.

The Semiconductor Industry

Further growth in the chip industry is anticipated for 2006. The different research institutes give us some very different predictions in some instances, however:



The majority of the institutes are assuming growth rates of approximately 7% – 8% in the chip industry and a sector-moderate increase for equipment manufacturers. Predictions for equipment is significantly less clear-cut, however, ranging from 5% up to 12% growth. As has been the case in the past, SUSS MicroTec will not be directly dependent on the development of the overall market. However, the mood of the overall market does have a noticeable effect on the business climate of our major customers.

In addition to these exogenous indicators, we would like to point out as one of the endogenous indicators the order backlog as of January 1, 2006. This amounts to EUR 85 million following EUR 66 million on January 1, 2005 (+30%), and forms a solid base for the sales expectations for the first 7 to 9 months of the current year.

The development in 2005 and the projections for 2006 for the semiconductor industry could possibly be the beginning of a trend toward a new phase of maturity. Some institutes are assuming, and we concur, that the industry will level off in this phase to a long-term growth in the order of magnitude of 10%. At this point, we would like to reiterate some of the essential statements made in our last management report:

- The large growth rates for the investments were based on so-called killer applications. The large markets are expected to have growth rates below 20% in the future (source: SIA).
- The private consumer is gaining ever more significance for the semiconductor industry, and the fluctuations of this consumer group are generally significantly lower than those of the industrial customers.
- There will still be some sharp swings and volatilities, but we feel they will be of lesser amplitude than in the past. We therefore cannot rule out variations of +/-10% to +/-20% in individual years, but we no longer expect any sales leaps such as we saw in 2000 (+86%) (information according to earlier US-GAAP accounting).

- GROUP STRUCTURE AND BUSINESS ACTIVITIES
- MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY
- RESEARCH AND DEVELOPMENT
- OVERVIEW OF BUSINESS DEVELOPMENT
- EARNINGS, ASSETS AND FINANCIAL POSITION
- EMPLOYEES
- ENVIRONMENT
- EVENTS AFTER THE BALANCE SHEET DATE
- RISK REPORT
- PROGNOSIS REPORT

Moreover, we also observed intensive activities in the area of mergers and acquisitions in the year 2005. However, this did not pertain solely to company takeovers, but often also to cooperations or potential spin-offs of partial operations. These activities also indicate that the industry is entering into the already targeted new maturity phase. With respect to the role of SUSS MicroTec, the situation has improved to the extent that we now have better market capitalization, and C4NP represents a wise diversification with very good sales potential in our product portfolio.

Expected Development in the Major Markets:

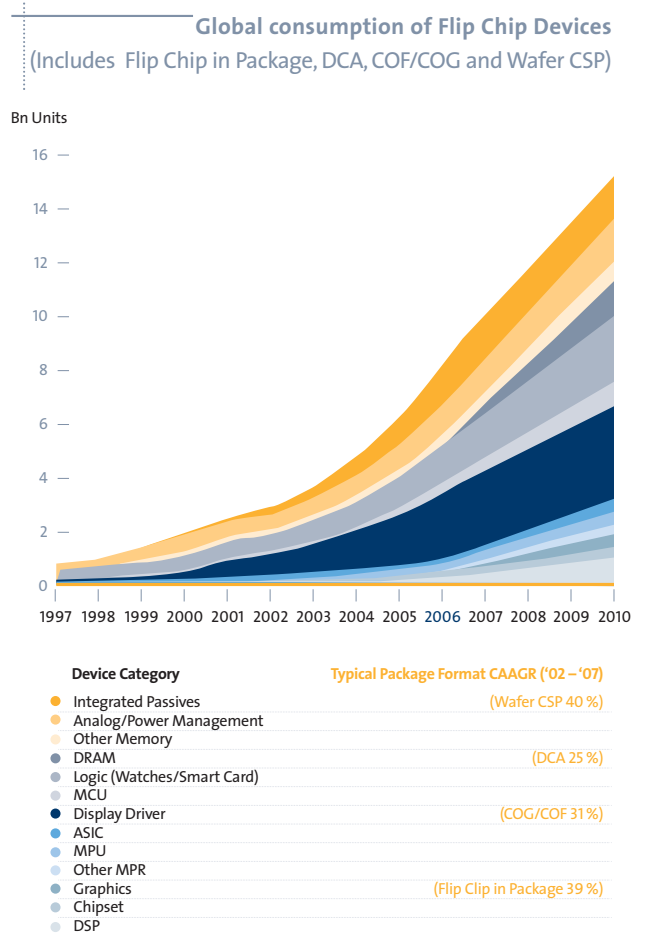
The Advanced Packaging Market:

In principle, this is the market where we are expecting the strongest growth dynamic within the SUSS MicroTec Group. This will also mean growth for the Lithography segment as the lithography products in the form of high-sales production machines are almost the only ones that currently address this market. In the future, C4NP will also generate significant sales contributions from this market, because this product line is only used in advanced packaging.

The main reason for this expected dynamic is the fact that growth in this area is not merely dependent on the growth of the industry as a whole. In fact, we expect that over the course of time advanced packaging will continue to squeeze out the classic wire bonding for certain chip types. Due to this technology displacement, growth potential even emerges in times of stagnating or declining overall market developments in the semiconductor industry.

Several research institutes confirm our assumptions. While only about 5% – 10% of all chips are currently being manufactured using the modern contacting method, this figure is expected to double by the year 2010. This means that over the next 3 – 4 years the existing capacity for advanced packaging – which was primarily installed during the last 10 years – must likewise double. We expect a high percentage of this capacity expansion to accrue to the 300 mm production lines. We are also assuming that our good competitive position with Asian contract manufacturers will remain unchanged.

The following chart shows a forecast of how the application of advanced packaging technology is expected to develop for various types of chips by 2010.



Source: PRISMARK

We believe that annual growth rates of 10% or even considerably more are quite possible in this market. Added to this are other significant business opportunities which could again effectively increase this growth:



The DRAM memory chip is currently manufactured almost solely using the wire bonding contact process; only a small percentage of high-quality memory chip production involves advanced packaging. The upcoming generation of the so-called DDR3-DRAM are capable of clock frequencies 800 Mhz and higher. In the area of CPUs (master processors), which are already manufactured using advanced packaging, the change in technology to these clock frequencies was completed some time ago. If the mass production of memory chips were also to convert to advanced packaging, there would be great need for major additional capacity in the production lines. The DRAM represents a significant production volume and would therefore mean a considerable increase in market access for us.

In the diagram above, however, DRAMs only have a small share. Only at the end of 2006 or beginning of 2007 will we be able to evaluate whether or not the DRAM will change to advanced packaging in the DDR3 generation. We presume that DRAM manufacturers would, in the event of a planned conversion, approach equipment manufacturers for advanced packaging production lines by that time. The volume of equipment to be provided for DRAM production would, after all, have to be defined early on to prevent supply shortages of the respective machinery at a later stage.

C4NP presents another business opportunity, and we have already received the first order for a production line from IBM Corporation in 2005. This product line serves only the advanced packaging market and provides an alternative to electroplating, the current primary procedure. Electroplating is used for fine structures and knows few rival technologies. C4NP offers a completely different approach and is also suitable for fine structures. Added to this are advantages regarding the process properties, including but not limited to:

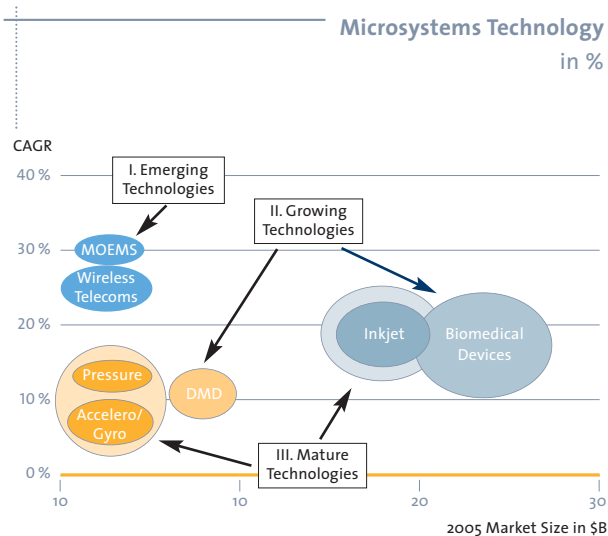
- Cost-effective and simple manufacturing of lead-free contacts
- Flexibility in use of different materials

In 2006 we expect the favorable environment for advanced packaging to continue as was the case in 2004 and 2005. Thus, while the first three quarters of the year under review were indeed restrained, the fourth quarter was positive for order entry. With respect to C4NP, the primary goal for 2006 is to acquire so-called “early adopters” for this product following the order from IBM. The technology is forward-looking and new, and potential customers’ interest is high. Long-term market success depends ultimately on acceptance by key companies in the industry. For 2006, therefore, it is very important that customers be won for C4NP.

The Microsystems Technology Market:

Microsystems technology is characterized by a high level of diversification, both in terms of the products and the manufacturers of these products. In contrast to the microchip, which is generally manufactured very cost effectively in large quantities, the quantities for microsystems are often smaller and the number of different products significantly greater. Microsystems technology is not dependent on individual end markets, but instead is influenced by the general economic environment and the investment climate.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
| MANAGEMENT CONTROL, OBJECTIVES AND STRATEGY |
| RESEARCH AND DEVELOPMENT |
| OVERVIEW OF BUSINESS DEVELOPMENT |
| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| ► PROGNOSIS REPORT |



Source: Yole Developpement (WorldMemsFab Report)

Applications in the automobile industry and in computer peripherals, such as ink jet printers, make up the largest share of microsystems technology at this time. Pressure and acceleration sensors (such as airbag sensors) and print heads for ink jet printers represent approximately 30% of all microsystems at present. In addition, another almost 20% is occupied by micromirrors for rear projection television technology. Due to the diverse applications of microsystems, new markets to be targeted are constantly surfacing. We therefore assume a long-term growth rate of 5% – 10% in this targeted market for our Company. Applications in biomedicine, in particular, will provide a niche with great potential for microsystems technology (see illustration).

Growth in this market would be of benefit to SUSS MicroTec primarily in the Lithography and Substrate Bonder segments.

Special business opportunities in microsystems technology exist in two cases: firstly, our products are represented in rear projection technology (designated “DMD” in the illustration). This competes with the other modern TV technologies, LCD and plasma. If this technology achieves a greater market share of commercial televisions compared to the other two processes, there could be a noticeable increase in sales potential for the Substrate Bonder.

Secondly, there may also be sales potential in nanotechnology, which has often been mentioned in the media and technical press recently. The market which can be targeted by SUSS MicroTec is relatively small at this time but we hope to be part of an expansion of this market in the future. It is not yet possible to make a qualified estimate of potential in this area.

We do not expect any significant change in the development of the microsystems market for 2006. This means that we should experience a sustained and steady increase in our sales here. The Substrate Bonder in particular should achieve a higher level of sales in 2006 than in 2005, due, among other things, to the greater order backlog at the beginning of the current year.



The Compound Semiconductors Market and the Test Systems Market:

In the case of compound semiconductors, the future market development for our products continues to be difficult to assess. Stimuli in the field of telecommunications have been lacking since 2002. Currently, the best business potential can be found primarily in optoelectronics, especially in the field of LEDs.

The Test Systems product line provides devices for use in the analytical field of development and error analysis as well as MEMS and LED probing. This segment is developing relatively steadily and relatively independent of the cycles of the semiconductor industry.

Statement on the Projected Development of the Group

| Segment | Market | | | |
|--|--------------------|-------------------------|-------------------------|--------------|
| | Advanced Packaging | Microsystems Technology | Compound Semiconductors | Test Systems |
| Proportion of sales in relation to Group sales | 25% | 40% | 15% | 20% |
| Lithography | combined > 10 | ~ 10% | 5 – 10% | |
| C4NP | | | | |
| Substrate Bonder | | > 10% | | |
| Device Bonder | | Re-evaluation | | |
| Test Systems | | | | 5% |

For the Group as a whole, we are aiming for an average growth rate of approximately 10% in sales. In addition to the usual capacity expansions from the installation of new production lines, we are also expecting increased sustainable sales contributions in the future, based on investment in equipment replacement. We were already able to invest in replacements for individual major customers during 2005, where greater requirements in specifications as well as increased output of the newer machines were decisive factors in the replacement of existing equipment.

In addition, the gross profit margin is expected to increase to 45% – 47% over the long term, with the expenditure for research and development again representing up to 10% of sales. With the given sales growth and relatively low cost growth for distribution and administration, the Group should again be able to achieve EBIT margins (with reference to sales) of 10%. Protected by this type of earnings performance, the operating business should generate sufficient free cash flow so that no additional liquidity needs arise for the organic growth of the base business.

With respect to the regional breakdown, we observed almost the same breakdown in Europe, North America and Asia in 2005. Still we continue to expect Asia to grow disproportionately over the long term, due to the focus on advanced packaging.

| |
|---|
| GROUP STRUCTURE AND BUSINESS ACTIVITIES |
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| EARNINGS, ASSETS AND FINANCIAL POSITION |
| EMPLOYEES |
| ENVIRONMENT |
| EVENTS AFTER THE BALANCE SHEET DATE |
| RISK REPORT |
| ► PROGNOSIS REPORT |

Based on the current order backlog, as well as business development and the investment climate at the beginning of 2006, we consider sales growth within the industry expectations of up to 10% to be achievable at this time. A specific forecast for the entire year can only be submitted after the start of the third quarter 2006, which prompts us to remind readers of the explicitly non-binding nature of this statement. If sales in 2006 are 10% above sales in 2005, we anticipate an EBIT margin of approximately 5%. The break-even sales based on EBIT are currently at approximately EUR 108 million to EUR 110 million and also include the cost blocks incurred within the scope of the business expansion for C4NP.

Further measures to significantly reduce the break-even point are not planned at present. The Device Bonder segment continues to remain under careful observation, however. It is currently uncertain whether a sufficiently large, approachable market for the Device Bonder product exists. As long as such a market remains undefined, strategic decisions can still be made with respect to this segment.

12. FORWARD-LOOKING STATEMENTS

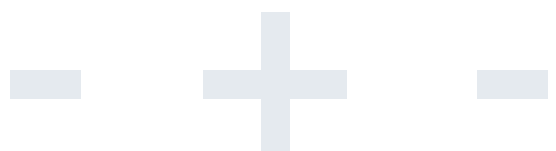
This group management report and management report contains information and predictions that refer to the future development of the SUSS MicroTec Group and its companies. The predictions represent estimations that we have made based on all of the information available to us at the present time. If the assumptions underlying these predictions should not occur or if risks – as addressed in the risk report – should arise, the actual events may deviate from the events expected at present.

Garching, March 15th, 2006

The Management Board

Dr. Stefan Schneidewind

Stephan Schulak



IFRS – CONSOLIDATED INCOME STATEMENT

| TEUR | Notes | 01.01. – 31.12.2005 | 01.01. – 31.12.2004 |
|---|--------|---------------------|---------------------|
| Sales | III.1 | 117,540 | 111,305 |
| Cost of sales | III.2 | -70,567 | -64,079 |
| Gross profit | | 46,973 | 47,226 |
| Selling costs | | -22,126 | -24,578 |
| Research and development costs | | -7,204 | -8,099 |
| Administration costs | | -21,312 | -23,351 |
| Amortisation of goodwill | III.3 | -1,839 | 0 |
| Other operating income | III.4 | 4,257 | 2,568 |
| Other operating expenses | III.5 | -2,953 | -2,531 |
| Result from at-equity investments | | -22 | 0 |
| Analysis of net income from operations (EBIT): | | | |
| EBITDA (Earnings before Interest and Taxes, Depreciation and Amortisation) | | 5,793 | -1,518 |
| Depreciation and amortisation of tangible assets, intangible assets, goodwill and investments in subsidiaries | | -10,019 | -7,247 |
| Net income from operations (EBIT) | | -4,226 | -8,765 |
| Interest expenses | III.6 | -2,001 | -1,976 |
| Interest income | III.6 | 592 | 383 |
| Income before taxes | | -5,635 | -10,358 |
| Income taxes | III.7 | -2,593 | -6,028 |
| Net profit or loss | | -8,228 | -16,386 |
| Thereof minority interests | | 5 | 11 |
| Thereof equity holders of SUSS MicroTec | | -8,233 | -16,397 |
| Earnings per share | III. 8 | | |
| Basic earnings per share in EUR | | -0.52 | -1.08 |
| Diluted earnings per share in EUR | | -0.52 | -1.08 |

► CONSOLIDATED INCOME STATEMENT

► CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

NOTES

IFRS – CONSOLIDATED BALANCE SHEET

| TEUR | | | | |
|---|-------|--------|----------------|----------------|
| ASSETS | | Notes | 31.12.2005 | 31.12.2004 |
| Noncurrent assets | | | 50,401 | 60,766 |
| Intangible assets | IV.1 | 13,668 | 13,247 | |
| Goodwill | IV.2 | 23,560 | 24,320 | |
| Tangible assets | IV.3 | 5,384 | 8,628 | |
| Associates measured at equity | IV.4 | 0 | 22 | |
| Other investments | IV.5 | 33 | 33 | |
| Other assets | IV.6 | 364 | 671 | |
| Deferred tax assets | III.7 | 7,392 | 13,845 | |
| Current assets | | | 106,920 | 107,661 |
| Inventories | IV.7 | 53,837 | 57,442 | |
| Accounts receivable | IV.8 | 23,681 | 23,899 | |
| Securities | IV.9 | 58 | 74 | |
| Tax assets | IV.10 | 1,120 | 1,808 | |
| Cash and cash equivalents | VI.4 | 26,325 | 22,534 | |
| Other assets | IV.11 | 1,899 | 1,904 | |
| Balance sheet total | | | 157,321 | 168,427 |
| LIABILITIES & SHAREHOLDER'S EQUITY | | | | |
| Shareholders' equity | | | 84,165 | 83,416 |
| Subscribed capital | V.1 | 16,793 | 15,157 | |
| Reserves | V.1 | 66,640 | 69,117 | |
| Accumulated other comprehensive income | V.1 | 683 | -902 | |
| Minority interests | | 49 | 44 | |
| Noncurrent liabilities | | | 13,800 | 25,359 |
| Pension provisions | V.2 | 2,581 | 2,565 | |
| Other provisions | V.3 | 455 | 445 | |
| Financial debt | V.4 | 5,957 | 12,905 | |
| Other liabilities | V.5 | 245 | 429 | |
| Deferred tax liabilities | III.7 | 4,562 | 9,015 | |
| Current liabilities | | | 59,356 | 59,652 |
| Other provisions | V.6 | 3,968 | 6,631 | |
| Tax liabilities | | 394 | 492 | |
| Financial debt | V.4 | 12,832 | 10,669 | |
| Accounts payable | | 6,061 | 5,676 | |
| Other liabilities | V.7 | 36,101 | 36,184 | |
| Balance sheet total | | | 157,321 | 168,427 |

IFRS – CONSOLIDATED STATEMENT OF CASH FLOWS

| TEUR | 01.01. – 31.12.2005 | 01.01. – 31.12.2004 |
|--|---------------------|---------------------|
| Net profit or loss | -8,228 | -16,386 |
| Amortisation of intangible assets | 4,227 | 4,359 |
| Amortisation of goodwill | 1,839 | 0 |
| Depreciation of tangible assets | 3,931 | 2,888 |
| Change of at-equity measured associates | 22 | 89 |
| Profit or loss on disposal of intangible and tangible assets | 266 | 65 |
| Change of reserves on inventories | 297 | 771 |
| Change of reserves for bad debts | -312 | -417 |
| Non-cash stock based compensation | 458 | 750 |
| Non-cash income from the reversal of provisions | -1,178 | -514 |
| Non-cash interest expenses from increase of convertible debt | 546 | 454 |
| Other non-cash effective income and expenses | -1,835 | 1,361 |
| Change in inventories | 6,016 | -5,488 |
| Change in accounts receivable | 1,934 | -5,346 |
| Change in other assets | 1,016 | 3,810 |
| Change in pension provisions | 16 | -102 |
| Change in accounts payable | 191 | -208 |
| Change in other liabilities and provisions | -4,255 | 10,125 |
| Change of deferred taxes | 2,001 | 5,485 |
| Cash Flow from operating activities | 6,952 | 1,696 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

► CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

NOTES

IFRS – CONSOLIDATED STATEMENT OF CASH FLOWS

| TEUR | 01.01. – 31.12.2005 | 01.01. – 31.12.2004 |
|---|---------------------|---------------------|
| Payments in tangible assets | -1,704 | -1,023 |
| Payments in intangible assets | -4,273 | -2,230 |
| Proceeds from disposal of intangible and tangible assets | 972 | 32 |
| Cash Flow from investing activities | -5,005 | -3,221 |
| Increase of bank loans | 1,250 | 1,250 |
| Repayment of bank loans | -2,376 | -2,942 |
| Repayment of convertible bond | -5,634 | 0 |
| Change of current bank liabilities | 1,061 | -604 |
| Change in other financial debt | 170 | -106 |
| Proceeds from share capital contribution | 6,844 | 0 |
| Proceeds from issuance of common stocks | 199 | 0 |
| Payments for expenses related to capital contribution | -109 | 0 |
| Cash Flow from financing activities | 1,405 | -2,402 |
| Adjustments to funds caused by exchange-rate fluctuations | 439 | -324 |
| Change in cash and cash equivalents | 3,791 | -4,251 |
| Cash and cash equivalents at beginning of the year | 22,534 | 26,785 |
| Cash and cash equivalents at end of the period | 26,325 | 22,534 |
| Cash flow from operating activities includes: | | |
| Interest paid during the period | 1,257 | 1,405 |
| Interest received during period | 592 | 383 |
| Tax paid during the period | 455 | 842 |
| Tax refunds during the period | 392 | 2,672 |

IFRS – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| TEUR | Number of shares (in thousands) | Subscribed capital |
|--|------------------------------------|--------------------|
| As of 01 January 2004 | 14,957 | 14,957 |
| Conversion of convertible debt into subscribed capital | 200 | 200 |
| Addition from conversion of convertible debt | | |
| Issuance of subscription rights | | |
| Net profit or loss | | |
| Unrealized loss from securities, net of tax | | |
| Foreign currency adjustment | | |
| As of 31 December 2004 | 15,157 | 15,157 |
| As of 01 January 2005 | 15,157 | 15,157 |
| Proceeds from share capital contribution | 1,456 | 1,456 |
| Expenses related to share capital contribution, net of tax | | |
| Issuance of subscription rights | | |
| Issuance of shares: | | |
| Exercise of stock options | 180 | 180 |
| Net profit or loss | | |
| Unrealized loss from securities, net of tax | | |
| Foreign currency adjustment | | |
| As of 31 December 2005 | 16,793 | 16,793 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

▶ CONSOLIDATED STATEMENT OF
CHANGES IN EQUITYANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

NOTES

| Additional paid-in capital | Earnings reserve | Retained earnings | Accumulated other comprehensive income | Minority interests | Total |
|-------------------------------|------------------|-------------------|--|-----------------------|---------|
| 82,446 | 433 | 164 | 0 | 33 | 98,033 |
| | | | | | 200 |
| 1,721 | | | | | 1,721 |
| 750 | | | | | 750 |
| | | -16,397 | | 11 | -16,386 |
| | | | -22 | | -22 |
| | | | -880 | | -880 |
| 84,917 | 433 | -16,233 | -902 | 44 | 83,416 |
| 84,917 | 433 | -16,233 | -902 | 44 | 83,416 |
| 5,388 | | | | | 6,844 |
| -109 | | | | | -109 |
| 458 | | | | | 458 |
| 19 | | | | | 199 |
| | | -8,233 | | 5 | -8,228 |
| | | | -10 | | -10 |
| | | | 1,595 | | 1,595 |
| 90,673 | 433 | -24,466 | 683 | 49 | 84,165 |

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS 2005

| TEUR | 01.01.2005 | Translation adjustment | Acquisition and manufacturing costs | | | 31.12.2005 |
|--|---------------|------------------------|-------------------------------------|------------------|--------------|---------------|
| | | | Additions | Reclassification | Disposals | |
| I. Intangible assets | | | | | | |
| 1. Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets | 16,777 | -274 | 175 | 0 | 0 | 16,678 |
| 2. Development costs | 10,904 | 548 | 4,098 | 0 | 0 | 15,550 |
| 3. Capitalized leased property Software | 184 | 2 | 0 | 0 | 13 | 173 |
| | 27,865 | 276 | 4,273 | 0 | 13 | 32,401 |
| II. Goodwill | 36,892 | 1,079 | 0 | 0 | 0 | 37,971 |
| III. Tangible assets | | | | | | |
| 1. Land, buildings, fixtures | 7,400 | 183 | 136 | 440 | 2,057 | 6,102 |
| 2. Technical equipment and machinery | 9,139 | 1,073 | 250 | 0 | 26 | 10,436 |
| 3. Other equipment, office and plant furnishings | 10,572 | 350 | 547 | -440 | 380 | 10,649 |
| 4. Motor vehicles | 541 | 30 | 47 | 0 | 52 | 566 |
| 5. Facilities under construction | 0 | 0 | 71 | 0 | 0 | 71 |
| 6. Capitalized leased property | | | | | | |
| Land, building, fixtures | 632 | 5 | 90 | 0 | 600 | 127 |
| Technical equipment and machinery | 874 | -1 | 528 | 0 | 26 | 1,375 |
| Other equipment, office and plant furnishings | 1,226 | -97 | 35 | 0 | 3 | 1,161 |
| | 30,384 | 1,543 | 1,704 | 0 | 3,144 | 30,487 |
| IV. Financial assets | | | | | | |
| 1. Associates measured at equity | 2,095 | 0 | 0 | 0 | 0 | 2,095 |
| 2. Other investments | 201 | 0 | 0 | 0 | 0 | 201 |
| | 2,296 | 0 | 0 | 0 | 0 | 2,296 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

► ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

NOTES

| | Depreciation and amortisation | | | | | Net book value | | |
|--|-------------------------------|---------------------------|--------------|------------------|--------------|----------------|---------------|---------------|
| | 01.01.2005 | Translation adjustment | Additions | Reclassification | Disposals | 31.12.2005 | 31.12.2004 | 31.12.2005 |
| | 11,120 | -354 | 1,851 | 0 | 0 | 12,617 | 5,657 | 4,061 |
| | 3,376 | 254 | 2,347 | 0 | 0 | 5,977 | 7,528 | 9,573 |
| | 122 | 1 | 29 | 0 | 13 | 139 | 62 | 34 |
| | 14,618 | -99 | 4,227 | 0 | 13 | 18,733 | 13,247 | 13,668 |
| | 12,572 | 0 | 1,839 | 0 | 0 | 14,411 | 24,320 | 23,560 |
| | 3,795 | 163 | 1,622 | 125 | 834 | 4,871 | 3,605 | 1,231 |
| | 6,823 | 930 | 1,105 | 0 | 26 | 8,832 | 2,316 | 1,604 |
| | 8,485 | 232 | 710 | -125 | 367 | 8,935 | 2,087 | 1,714 |
| | 499 | 21 | 24 | 0 | 50 | 494 | 42 | 72 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 71 |
| | 316 | 1 | 304 | 0 | 600 | 21 | 316 | 106 |
| | 713 | -1 | 136 | 0 | 26 | 822 | 161 | 553 |
| | 1,125 | -24 | 30 | 0 | 3 | 1,128 | 101 | 33 |
| | 21,756 | 1,322 | 3,931 | 0 | 1,906 | 25,103 | 8,628 | 5,384 |
| | 2,073 | 0 | 22 | 0 | 0 | 2,095 | 22 | 0 |
| | 168 | 0 | 0 | 0 | 0 | 168 | 33 | 33 |
| | 2,241 | 0 | 22 | 0 | 0 | 2,263 | 55 | 33 |

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS 2004

| TEUR | Acquisition and manufacturing costs | | | | | 31.12.2004 |
|--|-------------------------------------|------------------------|--------------|------------------|------------|---------------|
| | 01.01.2004 | Translation adjustment | Additions | Reclassification | Disposals | |
| I. Intangible assets | | | | | | |
| 1. Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets | 16,806 | -209 | 189 | 0 | 9 | 16,777 |
| 2. Development costs | 9,087 | -191 | 2,008 | 0 | 0 | 10,904 |
| 3. Capitalized leased property Software | 157 | -6 | 33 | 0 | 0 | 184 |
| | 26,050 | -406 | 2,230 | 0 | 9 | 27,865 |
| II. Goodwill | 37,467 | -575 | 0 | 0 | 0 | 36,892 |
| III. Tangible assets | | | | | | |
| 1. Land, buildings, fixtures | 7,544 | -126 | 52 | 0 | 70 | 7,400 |
| 2. Technical equipment and machinery | 9,537 | -549 | 216 | 0 | 65 | 9,139 |
| 3. Other equipment, office and plant furnishings | 10,443 | -102 | 652 | 0 | 421 | 10,572 |
| 4. Motor vehicles | 577 | -6 | 43 | 0 | 73 | 541 |
| 5. Facilities under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Capitalized leased property | | | | | | |
| Land, buildings, fixtures | 600 | 0 | 32 | 0 | 0 | 632 |
| Technical equipment and machinery | 880 | -6 | 0 | 0 | 0 | 874 |
| Other equipment, office and plant furnishings | 1,307 | -59 | 28 | 0 | 50 | 1,226 |
| | 30,888 | -848 | 1,023 | 0 | 679 | 30,384 |
| IV. Financial assets | | | | | | |
| 1. Associates measured at equity | 2,183 | 1 | 0 | 0 | 89 | 2,095 |
| 2. Other investments | 202 | -1 | 0 | 0 | 0 | 201 |
| | 2,385 | 0 | 0 | 0 | 89 | 2,296 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

► ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

NOTES

| | Depreciation and amortisation | | | | | Net book value | | |
|--|-------------------------------|---------------------------|--------------|------------------|------------|----------------|---------------|---------------|
| | 01.01.2004 | Translation adjustment | Additions | Reclassification | Disposals | 31.12.2004 | 31.12.2003 | 31.12.2004 |
| | 8,657 | -224 | 2,696 | 0 | 9 | 11,120 | 8,149 | 5,657 |
| | 1,765 | -29 | 1,640 | 0 | 0 | 3,376 | 7,322 | 7,528 |
| | 103 | -4 | 23 | 0 | 0 | 122 | 54 | 62 |
| | 10,525 | -257 | 4,359 | 0 | 9 | 14,618 | 15,525 | 13,247 |
| | 12,572 | 0 | 0 | 0 | 0 | 12,572 | 24,895 | 24,320 |
| | 3,391 | -84 | 515 | 0 | 27 | 3,795 | 4,153 | 3,605 |
| | 5,963 | -334 | 1,252 | 0 | 58 | 6,823 | 3,574 | 2,316 |
| | 8,128 | -83 | 814 | 0 | 374 | 8,485 | 2,315 | 2,087 |
| | 538 | -6 | 40 | 0 | 73 | 499 | 39 | 42 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 246 | 0 | 70 | 0 | 0 | 316 | 354 | 316 |
| | 648 | -3 | 68 | 0 | 0 | 713 | 232 | 161 |
| | 1,086 | -40 | 129 | 0 | 50 | 1,125 | 221 | 101 |
| | 20,000 | -550 | 2,888 | 0 | 582 | 21,756 | 10,888 | 8,628 |
| | 2,073 | 0 | 0 | 0 | 0 | 2,073 | 110 | 22 |
| | 168 | 0 | 0 | 0 | 0 | 168 | 34 | 33 |
| | 2,241 | 0 | 0 | 0 | 0 | 2,241 | 144 | 55 |

SEGMENTREPORTING**SEGMENT INFORMATION BY BUSINESS SEGMENT**

| TEUR | Lithography | | Substrate Bonder | |
|--------------------------------------|----------------|---------|------------------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| Sales | 66,554 | 61,756 | 6,074 | 7,665 |
| Result per segment | 4,626 | 1,596 | -4,016 | -3,543 |
| Result from equity method accounting | -22 | 0 | 0 | 0 |
| Significant non-cash items | 290 | 23 | 67 | -131 |
| Segment assets | 66,281 | 72,803 | 14,638 | 13,092 |
| - thereof Goodwill | 13,599 | 13,599 | 0 | 0 |
| Segment liabilities | -28,737 | -32,664 | -4,393 | -2,796 |
| Depreciation and amortisation | 3,771 | 3,483 | 1,010 | 363 |
| - thereof scheduled -- | 3,290 | 3,483 | 1,010 | 363 |
| - thereof impairment loss -- | 481 | 0 | 0 | 0 |
| Capital expenditure | 1,227 | 1,252 | 446 | 863 |
| Average workforce during the year | 275 | 297 | 75 | 81 |

SEGMENT INFORMATION BY REGION

| TEUR | Sales | | Capital expenditure | |
|-----------------------|----------------|---------|---------------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| Europe | 41,588 | 32,500 | 4,550 | 2,075 |
| North America | 42,170 | 31,800 | 703 | 889 |
| Japan | 7,669 | 15,600 | 18 | 36 |
| Rest of Asia | 26,112 | 30,900 | 30 | 223 |
| Rest of World | 0 | 505 | 676 | 31 |
| Consolidation effects | 0 | 0 | 0 | 0 |
| Total | 117,540 | 111,305 | 5,977 | 3,254 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

► SEGMENT REPORTING

NOTES

| Device Bonder | | Test Systems | | Other | | Total | |
|---------------|--------|--------------|--------|--------|--------|---------|---------|
| 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| 6,129 | 6,032 | 28,752 | 26,968 | 10,030 | 8,883 | 117,540 | 111,305 |
| -3,932 | -723 | 2,074 | 1,518 | -4,457 | -7,244 | -5,706 | -8,397 |
| 0 | 0 | 0 | 0 | 0 | 0 | -22 | 0 |
| 134 | 387 | -44 | -300 | 289 | -569 | 736 | -590 |
| 5,515 | 11,868 | 20,265 | 20,061 | 13,431 | 9,713 | 120,130 | 127,537 |
| 0 | 1,839 | 4,597 | 4,234 | 5,364 | 4,648 | 23,560 | 24,320 |
| -1,048 | -3,163 | -6,836 | -5,023 | -2,476 | -2,981 | -43,490 | -46,627 |
| 3,081 | 265 | 440 | 501 | 1,717 | 2,635 | 10,019 | 7,247 |
| 186 | 265 | 440 | 501 | 1,717 | 2,224 | 6,643 | 6,836 |
| 2,895 | 0 | 0 | 0 | 0 | 411 | 3,376 | 411 |
| 29 | 28 | 184 | 408 | 4,091 | 703 | 5,977 | 3,254 |
| 45 | 67 | 128 | 128 | 161 | 160 | 684 | 733 |

Assets

| 2005 | 2004 |
|---------|---------|
| 73,719 | 84,629 |
| 43,485 | 37,671 |
| 4,185 | 8,710 |
| 718 | 402 |
| 3,759 | 2,703 |
| -5,736 | -6,578 |
| 120,130 | 127,537 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS FOR 2005

I. DESCRIPTION OF BUSINESS ACTIVITY

SUSS MicroTec AG (the “entity” or “company”) and its subsidiaries constitute an international enterprise that manufactures and distributes products using micro-systems technology and microelectronics. Production is at facilities in Garching, Sacka and Vaihingen in Germany, Waterbury and Palo Alto in the USA, and Saint Jeoire in France. The products are distributed via the production facilities themselves and through distribution companies in the United Kingdom, Japan, Thailand, Taiwan and China. In countries in which the group does not have offices of its own, distribution is organised through trade representatives.

II. SUMMARY OF THE PRINCIPAL ACCOUNTING PRINCIPLES

II.1 Basis of presentation

These consolidated financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) and Interpretations approved and published by the International Accounting Standards Board (IASB). The requirements of the IFRS, including IFRS 1, have been met in full and lead to the presentation of a true and fair view of the net assets, financial position and results of operations of the SUSS group.

The company is an Aktiengesellschaft, i.e. a public company limited by shares, under German law. Under the regulations of the German commercial code, the company is obliged to prepare consolidated financial statements in accordance with the accounting regulations of § 315a HGB, since SUSS MicroTec AG is listed on a stock exchange. The group management report was prepared according to the regulations of § 315 (1) ff. HGB.

II.2 Standards and interpretations that have not been applied prior to the mandatory applicable date

The IASB has issued the following standards, interpretations and revisions of existing standards, the application of which is not yet mandatory and which have also not been applied early:

IFRS 7 “Financial Instruments: Disclosures”

In August 2005 the IASB published IFRS 7. This standard sets out the disclosures on financial instruments that had previously been governed by IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” and IAS 32 “Financial Instruments: Disclosure and Presentation”. Certain disclosure obligations were revised or enhanced.

IFRS 7 is mandatory for financial years beginning on or after 1 January 2007. Earlier application is recommended.

The standard, which must be applied by all entities, will probably lead to more extensive disclosures on financial instruments when it is first applied by the SUSS group in the financial year 2007.

IFRIC 4 “Determining whether an Arrangement contains a Lease”

The IASB published the interpretation IFRIC 4 in December 2004. The subject of this interpretation is how to determine whether an arrangement is, or contains, a lease and when a reassessment is necessary. It also describes how lease payments can be separated from payments for other services that are governed in the same arrangement.

The interpretation is mandatory for financial years beginning on or after 1 January 2006. The transition regulation provides an option to apply the interpretation retrospectively or apply it to arrangements existing at the earliest period for which comparative information is given in the financial statements.

SUSS MicroTec AG does not expect any effects from the initial application in the

IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”

The interpretation IFRIC 6 was published by the IASB in September 2005. IFRIC 6 deals with the period in which liabilities should be recorded for the disposal of privately used electrical equipment that come under the provisions of the EU directive on waste electrical and electronic equipment or its implementation in national law (in Germany, the electrical and electronic equipment law).

IFRIC 6 is mandatory for financial years beginning on or after 1 December 2005. Earlier application is recommended.

The first-time application of this interpretation in the financial year 2006 will probably not have any material effects on the consolidated financial statements of SUSS MicroTec AG.

IFRIC 7 “Application of the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies”

The IASB published the interpretation IFRIC 7 in November 2005. This interpretation contains guidance on the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” when the functional currency of an entity is classified as hyperinflationary for the first time.

IFRS 7 is to be applied for financial years beginning on or after 1 March 2006. Earlier application is recommended.

The interpretation does not have any effects on the future consolidated financial statements of SUSS MicroTec AG, since in no case is the functional currency of a company included in the consolidated financial statements that of a hyperinflationary country, nor is this to be expected.

IFRIC 8 “Scope of IFRS 2”

In January 2006 the IASB published the interpretation IFRIC 8, which comments on the scope of IFRS 2. IFRS 2 “Share-based Payment” is to be applied to transactions under which an entity receives goods or services in return for share-based remuneration. According to IFRIC 8, IFRS 2 must also be applied when the entity cannot clearly identify the goods or services received.

IFRIC 8 is to be applied for financial years beginning on or after 1 May 2006. Earlier application is recommended.

The interpretation does not have any effects on the future consolidated financial statements of SUSS MicroTec AG, since none of the entities included in the consolidated financial statements has entered into transactions of the kind mentioned in the interpretation, nor will such transactions be entered into in the foreseeable future.



Change in IAS 1 “Presentation of Financial Statements” – disclosures on capital

In August 2005 the IASB announced a change in IAS 1 in connection with the publication of IFRS 7 “Financial Instruments: Disclosures”. The change requires that information be published in the financial statements that enables the users of the financial statements to evaluate the objectives, methods and processes in capital management.

The change in IAS 1 is to be applied for financial years beginning on or after 1 January 2007. Earlier application is recommended.

The first-time application of this change in IAS 1 by the SUSS group will lead to more extensive disclosures in the notes in the financial year 2007.

Change in IAS 19 “Employee Benefits” – Actuarial Gains and Losses, Group Plans and Disclosures

In December 2004 the IASB published a change in IAS 19. The change relates to the following aspects:

- Extension of the recognition alternatives for actuarial gains and losses by an optional recognition of the amounts incurred in the reporting period in equity, without effect on results
- Obligation of recognition in the income statement of receivables or liabilities in accordance with the contractual agreements for group plans, that due to insufficient information are treated as contributed-defined plans;
- Presentation of defined benefit plans in the multi-employer plans under common control, and
- Change in the disclosures in the notes on defined benefit pension plans.

Except where optional, the changes in IAS 19 must be applied for financial years beginning on or after 1 January 2006. Earlier application is recommended.

The first-time application of this change in IAS 19 by SUSS MicroTec AG in the financial year 2006 will probably lead only to changes in the disclosures on defined benefit plans in the group. As present it is not planned to change from recognition of actuarial gains and losses under the corridor method to recognition in equity without effect on results. There are no multi-entity pension schemes in the group.

Change in IAS 39 “Financial Instruments: Recognition and Measurement” – accounting of cash flow hedge relationships for future intragroup transactions

In April 2005 the IASB published a change in IAS 39 in the accounting of cashflow hedge relationships on future intra-group transactions. The change in IAS 39 enables entities to define the currency risk from a highly probable future intra-group transaction in the consolidated financial statements as a hedged transaction under a cash flow hedging relationship, if the transaction is denominated in a currency other than the functional currency of the entity that processes the transaction and the currency risk has an effect on the group results.

The change in IAS 39 is to be applied for financial years beginning on or after 1 January 2006. Earlier application is recommended.

The first-time application of this change in IAS 39 in the financial year 2006 will not lead to any changes in the consolidated financial statements of SUSS MicroTec AG since currency risks from highly probable future intragroup transactions are not secured using cash-flow hedges.

II.3 Principal accounting and measurement methods under IFRS

Taking into consideration the quality criteria of the accounting and of the IFRS to be applied, the consolidated financial statements fulfill the principle of true and fair view and of fair presentation. In preparing the IFRS consolidated financial statements, the following significant accounting and measurement principles were applied:

Intangible assets

Purchased and internally generated intangible assets are capitalised pursuant to IAS 38 if it is probable that a future economic benefit will flow from the use of the asset and the costs of the asset can be determined reliably. They are recognised at acquisition or manufacturing costs and amortised normally on the straight-line method over their useful life, which is a maximum of 10 years.

Development costs in connection with product development are capitalised as manufacturing costs, if the expense can be attributed clearly and if technical feasibility and successful marketing are assured. It must, moreover, be sufficiently probable that the development activity will generate a future economic benefit. The capitalised development performances comprise all costs that are directly attributable to the development process, including overheads relating to development. Costs of outside capital are not capitalised. Capitalised development costs are amortised normally from the commencement of production over the expected product life cycle of, as a rule, three to five years.

Except for goodwill, there are no intangible assets with an indefinite useful life in the SUSS group.

Under IFRS 3, derivative goodwill is not subject to normal amortisation, but is subject only to non-scheduled write-downs under impairment tests in accordance with IAS 36.



Tangible assets

Tangible assets are recognised at acquisition or manufacturing cost and lessened on the basis of probable useful life by scheduled, straight-line depreciation. The depreciation periods for the principal categories of assets are given below:

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

Expenses for repair and maintenance are recorded immediately in the income statement. When assets are disposed of, the pertinent historical acquisition costs and accumulated depreciation are retired and the difference to the revenue from the sale is recorded as other operating expense or income.

In the case of rented assets, a distinction is made between a finance lease and an operating lease. Finance lease items are capitalised at the present value of all future minimum lease payments and the leasing debt is recorded on the liabilities side. The capitalised items are depreciated over their relevant useful life, the lease debt is redeemed and interest is paid in accordance with the terms and conditions of the lease agreement. In the case of an operating lease, there is no capitalisation, and the lease payments are recorded as expense in the periods when incurred.

There was no re-measurement of tangible assets as is permitted by IAS 16.

Non-scheduled amortisation on intangible and tangible assets

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

The net cash flow from continued use is derived from the group budget and suitable forecasts for the semi-conductor equipment industry, on the basis of which trends for net cash flow for the following periods are determined. The forecast net cash flow is discounted using a risk-adjusted interest rate of 9.0 percent.

If in later periods the reasons for the non-scheduled amortisation or depreciation cease to apply, revaluations are made. The revaluation is made at most to the amount which would have resulted if the non-scheduled amortisation or depreciation had not been made. No revaluation is made on goodwill which has been written down.

Associates measured at equity

The group measures its associates at equity pursuant to IAS 28 (“Investments in Associates”). At present, no associates that are measured at equity are held for sale.

Other investments

Other investments relate to enterprises over which SUSS cannot exercise any significant influence or that are of subordinate importance for the presentation of the net assets, financial position and results of operations and are recognised at acquisition cost less any impairment.

Inventories

Inventories are measured at manufacturing or acquisition costs or the lower of acquisition cost and net realisable value. The net realisable value is the selling proceeds that can probably be obtained less the costs to be incurred prior to sale. Moreover, inventory risks to the net realisable values arising from lower marketability and technical risks are accommodated by appropriate adjustments.

The manufacturing costs of work in progress and finished goods include direct material and production costs as well as attributable material and production overheads. Interest on outside capital is not capitalised.

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

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

Receivables and other assets

Receivables and other assets are accounted for, with the exception of derivative financial instruments, at adjusted acquisition costs. Appropriate adjustments are made on doubtful receivables and receivables considered to be unrecoverable. The entity's customers are concentrated in the semi-conductor industry, but are geographically diverse. No individual customer has a material share in the total sales of the entity. Similarly, there are no material receivables from individual customers.

Securities

Securities are measured at market prices. Unrealised gains and losses on securities classified as available for sale are shown, after tax, in accumulated other comprehensive income.

Share option schemes

The company accounts for its obligations from existing share option schemes in accordance with IFRS 2. The market value of the issued share options is recorded in equity, taking account of the service period. The market value is calculated using the Black-Scholes model.



Pension provisions (Employee Benefits)

Provisions for pensions are accounted for in accordance with IAS 19 (“Employee Benefits”). The obligations are computed using the projected unit credit method. Future salary increases and other increases in benefits are taken into consideration. The measurement of the pension obligations is on the basis of pension reports using the assets existing to cover these obligations (plan assets). Actuarial gains and losses are offset with effect on the income statement when they are outside a corridor of 10% of the scope of the commitment. In this case they are distributed over the future average remaining service life of the workforce. The expenses from the compounding of pension obligations are shown as a part of interest expenses.

Other provisions

Other provisions are formed under IAS 37 when there is an obligation to outside parties whose fulfilment they are likely to demand and if the probable amount of the necessary provision can be estimated reliably. The measurement is at full cost. Long-term provisions are recognised on the basis of corresponding market interest rates at their discounted settlement amount as at the balance sheet date.

Payables and other liabilities

Payables and other liabilities are recognised at repayment amounts including transaction costs such as premiums and discounts. Long-term liabilities are recognised at their present value. Where prescribed, liabilities (e.g. derivative financial instruments) are measured at market values.

Sales

In accordance with IAS 18, revenues from sales of machines are recorded at the time of passage of ownership or of risk to the customer, if a price has been agreed or can be determined and it may be assumed that this price will be paid.

If installation and final acceptance have been contractually agreed with the customer as well as the delivery of a machine, the revenues are only realised when installation and assembly have been performed.

Service revenues are recognized after service is performed or, in case of existing service contracts, on a pro rata temporis basis. Revenues from spare parts sales are recognised by shipment.

Cost of sales

The cost of sales comprise the manufacturing and procurement costs of the products and spare parts sold. They comprise, apart from directly attributable individual material and manufacturing costs, overheads including depreciation of production plant and amortisation on intangible assets as well as the markdowns on inventories.

Research and development costs

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

Other expenses and income

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

Deferred taxes

In accordance with IAS 12 (Income Taxes), deferred tax assets and liabilities are formed for all temporary differences between the fiscal measurement bases of the assets and debts and their recognised values in the IFRS consolidated balance sheet as well as on tax loss carry-forwards. The deferred taxes are computed on the basis of tax rates that apply or are expected to apply at the time of realisation in the light of the present legal situation in the individual countries. Deferred tax claims on temporary differences or on loss carry forwards are only recognised if it seems sufficiently certain that they can be realised in the near future.

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

EPS – Earnings per Share

The company computes the earnings per share in accordance with IAS 33.

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

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

Derivative financial instruments

In order to hedge currency risks, derivative financial instruments are concluded in the SUSS group.

Derivative financial instruments are accounted for pursuant to IAS 39. Derivative financial instruments are accounted for at market value and shown under other current assets or other current liabilities. They are first recognised on the day of transaction. Changes in market value are recorded with effect on the income statement. The company does not use hedge accounting, although the derivative financial instruments are effectively hedging transactions.

Treatment of subsidies

Under IAS 20 (Accounting for Government Assistance), public subsidies are only recorded if there is sufficient certainty that the attached conditions will be fulfilled and the subsidies granted. They are treated with effect on the income statement and generally offset in the periods in which the expenses are incurred that are to be met by the subsidies. Subsidies that relate to the development costs subject to capitalisation are subtracted from the capitalisation total.

Transactions in foreign currency

Purchases and sales in foreign currency are translated at the day rate in force at the time of delivery. Assets and debts in foreign currency are translated to the functional currency at the exchange rate in force at the balance sheet date. The foreign currency gains and losses arising from these translations are taken to the income statement.



Use of estimates

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

The assumptions and estimates relate mainly to the uniform group-wide specification of useful lives, the treatment and measurement of provisions, the parameters for the measurement of pension provisions and the ability to realise future tax benefits. In addition, estimates and assumptions are made for the measurement of goodwill („impairment test“).

II.4 Consolidation

Consolidation principles

The consolidated financial statements include the financial statements of SUSS MicroTec AG and of all significant companies over which, independently of the level of its participatory investment, the parent company can exercise control (i.e. the control principle). In cases where the parent company holds the majority of voting rights, it is assumed that it exercises control.

Associates (as a rule, where the group shareholding is between 20% and 50%) in which the company can exercise a significant influence on the business and financial policy are consolidated using the equity method.

Capital consolidation was performed using the simplification rules of IFRS 1.

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

Translation of annual financial statements in foreign currency

The functional currency of the group is the EURO. All figures are in thousand EURO, unless otherwise stated.

Balance sheet items of subsidiaries that have as their functional currency their local currency are (with the exception of equity, which is translated at historical rates) translated at the rate on the balance sheet date, and the items in the income statement are translated at average rates.

CONSOLIDATED INCOME STATEMENT
 CONSOLIDATED BALANCE SHEET
 CONSOLIDATED STATEMENT OF CASH FLOWS
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS
 SEGMENT REPORTING
 ► NOTES

| | 2005 | | 2004 | |
|------------------|---------------|--------|---------------|--------|
| | Balance Sheet | P&L | Balance Sheet | P&L |
| 1 EUR vs 1 USD | 1.18 | 1.25 | 1.36 | 1.25 |
| 1 EUR vs 100 JPY | 139.13 | 137.14 | 139.83 | 133.92 |
| 1 EUR vs 1 GBP | 0.69 | 0.69 | 0.71 | 0.68 |
| 1 EUR vs 1 CHF | 1.56 | 1.55 | 1.54 | 1.55 |
| 1 EUR vs 100 TWD | 39.12 | 40.25 | 43.63 | 41.67 |
| 1 EUR vs 100 CNY | 9.38 | 10.05 | 11.12 | 10.21 |
| 1 EUR vs 100 THB | 48.62 | 50.18 | 53.08 | 50.17 |

The resulting translation differences are shown as separate components of equity (Accumulated other comprehensive income).

II.5 Disclosures on the scope of consolidation

There were no changes in the scope of consolidation in the financial year 2005. The following subsidiaries and associates of SUSS MicroTec AG (ultimate parent company) were included in the consolidated financial statements as at 31 December 2005 (figures on capital and net annual profit/loss of the individual companies according to local law and in local currency; (*) = unaudited):

| Entity | Subscribed Capital | Investment | Equity total | Net Income | Consolidation |
|--|--------------------|------------|-------------------|--------------------|---------------|
| SUSS MicroTec AG, Garching | 16,792,968.00 EUR | Holding | 99,171,176.76 EUR | -544,704.44 EUR | |
| SUSS MicroTec Lithography GmbH, Garching | 2,000,100.00 EUR | 100% | 5,405,508.70 EUR | -8,737,928.11 EUR | full |
| SUSS MicroTec Test Systems GmbH, Sacka (**) | 511,291.88 EUR | 100% | 7,917,093.85 EUR | 212,981.41 EUR | full |
| SUSS MicroTec Laboratory Equipment GmbH, Singen (*) | 26,000.00 EUR | 100% | 207,215.87 EUR | -1,243.38 EUR | full |
| SUSS MicroTec Ltd., Wokingham Berkshire (*) | £10,000.00 | 100% | £1,405,681.00 | -£23,265.00 | full |
| SUSS MicroTec KK, Yokohama | 30,000.00 KJPY | 100% | 359,259.00 KJPY | -135,543.00 KJPY | full |
| SUSS MicroTec S.A.S., St. Jeoire | 1,275,000.00 EUR | 100% | 1,785,449.00 EUR | -70,076.00 EUR | full |
| SUSS MicroOptics S.A., Neuchatel (*) | 500,000.00 CHF | 85% | 499,299.40 CHF | 91,668.21 CHF | full |
| SUSS MicroTec Inc., Waterbury | \$105,000.00 | 100% | \$8,970,400.57 | -\$355,260.37 | full |
| SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu (*) | 5,000,000.00 TWD | 100% | 13,717,656.00 TWD | -13,320,024.00 TWD | full |
| SUSS MicroTec Company Ltd., Shanghai (*) | 1,655,320.00 CNY | 100% | 3,832,720.68 CNY | 1,100,914.08 CNY | full |
| Image Technology Inc., Palo Alto (*) | \$24,287.00 | 100% | \$1,541,417.92 | \$1,301,241.70 | full |
| MFI Technologies Group (*) | \$2,737,476.00 | 100% | -\$4,091,028.60 | -\$242,273.52 | full |
| HUGLE Lithography Inc., Sunnyvale (*) | \$1,190,442.00 | 53.1% | -\$39,579.00 | -\$64,392.00 | at equity |
| Suss MicroTec Company Ltd, Bangkok (*) | 4,000.00 KTHB | 49% | 13,147.85 KTHB | 818.80 KTHB | full |
| Karl Süss Geschäftsführungs-GmbH, Garching (*) | 25,564.59 EUR | 100% | 39,416.75 EUR | -1,496.68 EUR | at cost |
| Zentrum für Technologiestrukturentwicklung, Glaubitz (*) | 51,129.19 EUR | 10% | n/a | n/a | at cost |
| ELECTRON MEC. S.R.L., Mailand (*) | n/a | 10% | n/a | n/a | none |

(**) Net income before profit pooling agreement with SUSS MicroTec AG.

The financial statements of all the companies included are as at 31 December of the relevant year.



Although the group holds 53.1% in its capital, for reasons of materiality the participation in HUGLE Lithography Inc. is included in the consolidation only at equity. HUGLE Lithography Inc. does not have any business operation and does not have any assets.

Suss MicroTec Company Ltd., Bangkok, was included fully in the consolidation in the financial year 2004 for the first time. The date of initial consolidation was 31 December 2004. SUSS MicroTec AG holds 49% in this company directly. Suss MicroTec Company Ltd., Bangkok, is active as a further distribution company for the SUSS-group in Asia and is controlled by SUSS MicroTec AG.

II.6 Company acquisitions

The company did not make any acquisitions, either in the financial year 2005 nor in the prior year.

II.7 Bases of initial application

Since the consolidated financial statements of SUSS MicroTec AG as at 31 December 2005 were prepared according to IFRS for the first time, IFRS 1 (“First Time Adoption of International Accounting Standards”) was observed. The IFRS mandatory as at 31 December 2005 were applied to these consolidated financial statements retrospectively. The time of transition to accounting in accordance with IFRS is 1 January 2004. The last financial statements in accordance with US-GAAP were drawn up for the reporting period ending 31 December 2004.

Of the exemption options available under IFRS 1 for retrospective application of the IFRS applicable as at 31 December 2005 for the opening balance sheet in accordance with IFRS as at 1 January 2004, the following were used:

- All company acquisitions that were made prior to 1 January 2004 were adopted using the methods in the US-GAAP consolidated financial statements. Non-scheduled amortisation on the adopted goodwill pursuant to IAS 36 was not necessary in the opening balance sheet as at 1 January 2004.
- The measurement of pension provisions in the IFRS opening balance sheet as at 1 January 2004 was at the present value of the corresponding obligations less the market value of the plan assets in place to cover the pension commitments.
- The compensatory item shown under accumulated other comprehensive income from the transaction of financial statements in foreign currency was set at zero in the IFRS opening balance sheet.

All differences resulting from the changeover with regard to accounting and measurement of assets and debts in comparison with US-GAAP have been offset with the group equity without affecting the income statement.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

II.8 Reconciliation of equity and the annual results from US-GAAP to IFRS

The first-time application of IFRS gives rise to the following effects on the equity of the SUSS group as at 1 January 2004 and 31 December 2004:

| TEUR | Note | 01.01.2004 | 31.12.2004 |
|--|-------|----------------|---------------|
| Equity under US-GAAP | | 102.409 | 88.552 |
| Effects of transition to IFRS | | | |
| Capitalisation of development costs | (i) | 7,322 | 7,529 |
| Changes in revenue recognition | (ii) | | |
| Accounts receivable | | -4,622 | -3,194 |
| Other current assets | | 294 | 210 |
| Inventories | | 12,405 | 16,198 |
| Other current liabilities | | -18,387 | -23,873 |
| Different measurement of convertible debt | (iii) | 1,134 | 656 |
| Measurement of pension provisions under IAS 19 | (iv) | -124 | -111 |
| Different measurement of Goodwill | (v) | -3,175 | -3,745 |
| Deferred taxes | (vi) | 744 | 1,126 |
| Other | | 33 | 68 |
| Total effects | | -4,376 | -5,136 |
| Equity under IFRS | | 98,033 | 83,416 |

The effects arising from the changeover from US-GAAP to IFRS on the annual result of the financial year 2004 are as follows:

| TEUR | | 2004 |
|--|-------|----------------|
| Net profit or loss under US-GAAP | | -16,690 |
| Effects of transition to IFRS | | |
| Capitalisation of development costs | (i) | 409 |
| Changes in revenue recognition | (ii) | |
| Accounts receivable | | 1,428 |
| Other current assets | | -84 |
| Inventories | | 3,988 |
| Other current liabilities | | -5,774 |
| Different measurement of convertible debt | (iii) | -453 |
| Measurement of pension provisions under IAS 19 | (iv) | 61 |
| Different measurement of Goodwill | (v) | 0 |
| Deferred taxes | (vi) | 694 |
| Other | | 35 |
| Total effects | | 304 |
| Net profit or loss under IFRS | | -16,386 |



The main differences between the accounting and measurement methods under US-GAAP and IFRS relate to the following matters:

- i. Under IAS 38, development costs are capitalised as from the time at which technical and economic feasibility is achieved and they are subsequently subject to normal amortisation. Under US-GAAP, development costs are recognised in the income statement at the time they are incurred.
- ii. In accordance with IAS 18, revenues from sales of machines are recognised at the time of passage of ownership or of risk to the customer, if a price has been agreed or can be determined and it may be assumed that this price will be paid. If installation and final acceptance have been contractually agreed with the customer as well as the delivery of a machine, the revenues are only realised when installation and assembly have been performed. Under US-GAAP, the group applied EITF 00-21 "Revenue Arrangements with multiple Deliverables" for purchase contracts that contained, in addition to the delivery of the machine, further components such as the installation and acceptance of the machine. Under this regulation, the revenue portions relating to individual elements are determined in accordance with their relative proportion of the market values and are realised according to the general rules of revenue recognition under US-GAAP.
- iii. The convertible bond must be divided into a liability and an equity portion, since under IAS 32 it constitutes a compound financial instrument. Under IAS 32 the component that represents a financial liability must be shown separately to the component that grants the investor an option to exchange the debt for equity in the company. The debt and equity components must be shown separately irrespective of the probability of the option being exercised. The financial debt must be recognised at fair value. The fair value is derived by discounting the future cash flows by the market interest rate for comparable credit risks. The value of the equity component is the remainder. Under US-GAAP, the amount received on issue of the convertible bond was recorded in full as a debt, in accordance with APB 14.12. The amount was not divided into an outside capital portion and an equity portion.
- iv. The accumulated actuarial gains and losses arising from the initial measurement of the pension provisions under IAS 19 were recorded in full at the time of the transition to IFRS. After consideration of further differences arising between measurement under FAS 87 and IAS 19, the pension provision fell, prior to offsetting against offsettable plan assets, by TEUR 107.
- v. Under IAS 21, goodwill arising from the acquisition of a foreign operation and adjustments in the carrying values of the assets and debts to fair market value must be treated as an asset of the foreign operation and is hence to be translated at the rate on the closing date. The foreign currency differences arising from the measurement on the closing date are recognised under comprehensive income.
- vi. In accordance with IAS 12 (Income Taxes), deferred tax assets and liabilities are set up on all temporary differences between the fiscal measurement bases of the assets and debts and their recognised values in the IFRS consolidated balance sheet as well as on tax loss carry-forwards. The deferred taxes are computed on the basis of tax rates that apply or are expected to apply at the time of realisation in the light of the present legal situation in the individual countries. Deferred tax claims on temporary differences or on loss carry forwards are only recognised if it seems sufficiently certain that they can be realised in the near future. Deferred taxes are only set up on temporary differences on goodwill if the write-downs on the derivative goodwill are subject to recognition for tax purposes.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,

TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

III. EXPLANATIONS TO THE IFRS CONSOLIDATED INCOME STATEMENT

III.1 Sales

The sales revenues are made up as follows:

| TEUR | 2005 | 2004 |
|--------------|----------------|----------------|
| Machines | 90,487 | 87,348 |
| Spare parts | 9,834 | 8,893 |
| Service | 6,381 | 5,756 |
| Other | 10,838 | 9,308 |
| Sales | 117,540 | 111,305 |

For information on the breakdown of the sales revenues in terms of product lines and regions, we refer to the segment reporting. The other sales revenues comprise mainly revenues from the mask business and the micro-optics division.

III.2 Cost of sales

The cost of sales includes amortisation of capitalised development performances of TEUR 2,347 (2004: TEUR 1,640).

In addition, this item contains an impairment of TEUR 767 on portions of the device bonder store as well as revaluations on the strength of lower inventory risks consequent on the fall in stocks of inventories in comparison with the prior year.

III.3 Write-downs on goodwill

The write-down of goodwill was made on the basis of the annual impairment test. In view of the continuing difficult business environment and the weak development of sales and incoming orders, the goodwill attributable to the device bonder segment was written off in full. The amount of the write-down was TEUR 1,839.

To determine the recoverable amount in measuring this non-scheduled write-down, the expected proceeds from a sale of the device bonder segment was used. The computation of the expected proceeds of sale took into consideration divestment costs and a discounted net cash flow.

III.4 Other operating income

The other operating income is made up as follows:

| TEUR | 2005 | 2004 |
|--|--------------|--------------|
| Foreign currency gains | 1,558 | 466 |
| Income from the reversal of provisions | 1,178 | 514 |
| Other subsidies | 738 | 520 |
| Income from the release of doubtful accounts | 342 | 148 |
| Income from written-off receivables | 60 | 0 |
| Lease income | 54 | 39 |
| Insurance payments | 18 | 329 |
| Membership fees | 0 | 61 |
| Miscellaneous | 309 | 491 |
| Other operating income | 4,257 | 2,568 |

The foreign currency gains are mainly unrealised currency gains from the measurement of outgoing loans in foreign currency.

The income from the release of provisions of the financial year 2005 derives mainly from the partial reversal of the provision set up in the prior year for the severance payment to Dr. Richter, the former chairman of the company's management board.

The other subsidies relate in particular to subsidies received from a support project of the European Union which were to be taken to income.

III.5 Other operating expenses

The other operating expenses are made up as follows:

| TEUR | 2005 | 2004 |
|--|--------------|--------------|
| Non-scheduled write-down on tangible assets | 1,515 | 0 |
| Foreign currency losses | 590 | 1,683 |
| Losses from the disposal of tangible and intangible assets | 266 | 89 |
| Allowances for doubtful accounts | 238 | 93 |
| Cancellation fee expense | 31 | 85 |
| Miscellaneous | 313 | 581 |
| Other operating expenses | 2,953 | 2,531 |

As a result of the annual impairment test, a need was identified for additional write-downs on the device bonder segment, over and above the write-down on goodwill. In order to cover the segment carrying value "Device Bonder" by the divestment value computed for this segment, a non-scheduled write-down was necessary on the attributable land and building in the amount of TEUR 1,056.

A further non-scheduled write-down of TEUR 459 was made to the lower recoverable amount on the building, including fixtures, in Asslar, which was sold after closure of the works during the reporting year.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

III.6 Interest expenses and income

The interest expenses are composed as follows:

| TEUR | 2005 | 2004 |
|-------------------------------------|--------------|--------------|
| Bank loans | 828 | 819 |
| Convertible debt | 1,067 | 1,045 |
| Pension provision | 106 | 112 |
| Interest expenses and income | 2,001 | 1,976 |

Of the interest expenses from the convertible bond, TEUR 521 (2004: TEUR 591) related to interest payments to the bond creditors and TEUR 546 (2004: TEUR 454) to the topping-up amount in order to reach the repayment amount on maturity.

The interest income is mainly derived from money market investments.

III.7 Income taxes

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

| TEUR | 2005 | 2004 |
|--|--------------|--------------|
| German corporate tax | 1,768 | 2,327 |
| German trade income tax | 1,365 | 1,984 |
| Foreign corporate tax | 39 | 1,989 |
| Subtotal | 3,172 | 6,300 |
| Utilization / Capitalization deferred taxes on loss carry-forwards | -579 | -272 |
| Total | 2,593 | 6,028 |
| ... current taxes | 538 | 725 |
| German | 320 | 138 |
| Foreign | 218 | 587 |
| ... deferred taxes | 2,055 | 5,303 |
| German | 2,496 | 4,173 |
| Foreign | -441 | 1,130 |

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

| TEUR | 2005 | 2004 |
|--|----------------|----------------|
| 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 | -5,635 | -10,358 |
| Expected income taxes | -2,104 | -3,868 |
| Different foreign tax rates | -37 | 8 |
| Trade tax imputation credit of interests on noncurrent loans | 69 | 171 |
| Devaluation of inter-group loan items | 0 | 19 |
| Write-down of goodwill | 613 | 0 |
| Other non-tax deductible expenses | 55 | 96 |
| Income taxes from prior years | 421 | 575 |
| Valuation allowance on loss carry-forwards | 3,915 | 8,850 |
| Utilization of loss carry-forwards not recognized in prior years | -253 | 0 |
| Miscellaneous | -86 | 177 |
| Effective taxes | 2,593 | 6,028 |

In the reporting year, adjustments totalling TEUR 3,915 were made on deferred tax assets. The adjustments relate to deferred tax claims of TEUR 2,086 from loss carry-forwards and tax assets set up on temporary differences amounting to TEUR 1,829. The major part of these adjustments was necessary for the subsidiaries in the USA, France, and Japan and for Suss MicroTec Lithography GmbH. The adjustments reduce the deferred tax assets to an amount that, in the opinion of the company – in view of expectations about future profits and the timing of reversals of booking differences – can probably be realised.

In the prior year, adjustments totalling TEUR 8,850 were made on deferred tax assets. The major part of this adjustment related to deferred tax claims on loss carry-forwards and was necessary for the German companies, including SUSS MicroTec AG, in an amount of TEUR 5,957. In the case of the companies in France and the USA, there were adjustments of TEUR 474 and TUSD 3,108.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,

TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

The deferred taxes are attributable to the following balance sheet lines:

| TEUR | Assets | | Liabilities | |
|--|--------------|---------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Other current liabilities | 2,247 | 4,728 | | |
| Pension provisions | 1,273 | 1,249 | | |
| Accounts receivable | 2,939 | 6,674 | | |
| Other noncurrent provisions | 135 | 77 | | |
| Intangible assets | | | 2,773 | 3,243 |
| Other current assets | | | 40 | 86 |
| Financial debt | | | 201 | 244 |
| Goodwill | | | 513 | 313 |
| Inventories | | | 429 | 4,656 |
| Tangible assets | | | 606 | 473 |
| Miscellaneous | 1,023 | 456 | | |
| Loss carry-forwards | 18,172 | 14,898 | | |
| ./. Valuation allowance on loss carry-forwards | -15,556 | -13,190 | | |
| ./. Valuation allowance on other deferred tax assets | -2,841 | -1,047 | | |
| Total | 7,392 | 13,845 | 4,562 | 9,015 |

The group has available loss carry-forwards amounting to TEUR 47,175 (2004: TEUR 38,783). Of this amount, a total of TEUR 7,360 will lapse on 31 December 2010, and two years later a further TEUR 1,452 will lapse. In the period from 2022 to 2025, a total of TEUR 7,989 will lapse. A portion of the loss carry-forwards, TEUR 30,374, is usable for an indefinite period of time.

III.8 Earnings per share

The following table shows the computation of the undiluted and diluted earnings per share.

| | 2005 | 2004 |
|-----------------------------------|------------|------------|
| Numerator: | | |
| Net loss | -8,228 | -16,386 |
| Denominator: | | |
| Weighted average of issued shares | | |
| undiluted | 15,722,299 | 15,134,384 |
| Dilution | 0 | 0 |
| diluted | 15,722,299 | 15,134,384 |
| Earnings per Share in EUR: | | |
| undiluted | -0.52 | -1.08 |
| diluted | -0.52 | -1.08 |



In the financial year 2005, 733,175 shares from the convertible bond issued in the financial year 2003 were left out of account in the computation of the diluted earnings, since their inclusion would lead to a negative dilution effect.

The subscription rights issued for shares in the company were not taken into consideration in computing the diluted earnings, since their inclusion, too, would lead to a negative dilution effect.

III.9 Other disclosures on the IFRS consolidated income statement

Personnel expenses

The income statement of the SUSS-group included the following personnel expenses under the various postings:

| TEUR | 2005 | 2004 |
|---------------------------|---------------|---------------|
| Wages and salaries | 32,613 | 37,349 |
| Social security expenses | 5,764 | 5,140 |
| Pensions expenses | 2,013 | 2,336 |
| Personnel expenses | 40,390 | 44,825 |

The social security expenses contain mainly the employee portions of social security insurance and contributions to the employers liability insurance scheme.

The pension expenses include pension provisions from company pension plans and employer contributions to the statutory pension system.

Cost of materials

The cost of materials in 2005 came to TEUR 49,212 (2004: TEUR 41,373).

Amortisation & depreciation

Amortisation & depreciation are made up as follows:

| TEUR | 2005 | 2004 |
|--|---------------|--------------|
| Intangible assets | 4,227 | 4,359 |
| Goodwill | 1,839 | 0 |
| Tangible assets | 3,931 | 2,888 |
| Associates measured at equity | 22 | 0 |
| Amortisation & depreciation | 10,019 | 7,247 |

In the reporting year, non-scheduled write-downs were made of TEUR 3,376 (2004: TEUR 411). These write-downs related to goodwill (TEUR 1,839), and in the amount of TEUR 1,515 to tangible assets (land & buildings, and other plant, operating & office equipment) in cases where the carrying values were no longer covered by expected sales proceeds or discounted net cash flow from further utilisation.

In addition, as a result of continuing losses, non-scheduled write-downs were made on associates measured at equity in the amount of TEUR 22.

The prior year non-scheduled amortisation related to intangible assets (standard software licenses).

IV. EXPLANATION OF BALANCE SHEET ASSETS

IV.1 Intangible assets

The intangible assets show as at the balance sheet date patents, licenses & similar rights of TEUR 4,061 (2004: TEUR 5,657), and development costs of TEUR 9,573 (2004: TEUR 7,528). The capitalised development costs is mainly connected with the development of a production line for the C4NP technology and of new machines for the Lithography and Substrate Bonder segments.

In the prior year, changes to the future design of the group's IT infrastructure, led to non-scheduled write-downs of TEUR 411 on standard software licenses in Germany. These non-scheduled write-downs in the prior year are contained in the general administration and selling expenses.

IV.2 Goodwill

The goodwill of TEUR 23,560 shown as at the balance sheet date contains a foreign currency portion of TUSD 9,588 from the acquisition of US business operations in previous years. Under IAS 21, goodwill arising from the acquisition of a foreign operation and adjustments in the carrying values of the purchased assets and debts to the fair market value must be treated as an asset of the foreign operation and is hence to be translated at the rate on the closing date. The foreign currency differences of the reporting year arising from the measurement as at the balance sheet date amount to TEUR 1,079 (2004: -TEUR 575) and are recorded under accumulated other comprehensive income, i.e. without impacting on the income statement.

For information on the impairment of goodwill, we refer to Section III.3.

IV.3 Tangible assets

The breakdown of tangible assets that are combined in the balance sheet and their development in the reporting year are shown in the analysis of changes in group intangible, tangible and financial assets 2005, which is a component part of these notes.

The tangible assets also includes, with a residual carrying value of TEUR 692 (2004: TEUR 579), leased technical equipment and machinery, leased other equipment, office and plant furnishings and leased land, buildings & fixtures, which are attributable to the group as economic owner on account of the design of the lease agreements on which they are based (finance leases).



IV.4 Associates measured at equity

The investment in HUGLE Lithography Inc., USA (shareholding of 53.1%), which was measured at equity, was written down in full during the reporting year. The company is inactive.

IV.5 Other investments

The group holds other corporate investments with shareholdings of less than 20%. These are measured at market values when market values are available. In other cases, the measurement is at acquisition cost less necessary impairment.

IV. Other noncurrent assets

The other noncurrent assets include mainly the asset values of reinsurance policies, which do not fulfil the criteria for offsetting against existing pension provisions, and tenant's guarantee deposits for rented office buildings.

| TEUR | 2005 | 2004 |
|---------------------------------|------------|------------|
| Reinsurance pension obligations | 196 | 273 |
| Deposits | 167 | 159 |
| Loan issued | 0 | 198 |
| Others | 1 | 41 |
| Other noncurrent assets | 364 | 671 |

IV.7 Inventories

The inventories are made up as follows:

| TEUR | 2005 | 2004 |
|-------------------------|---------------|---------------|
| Materials and Supplies | 21,037 | 15,970 |
| Work in Process | 9,337 | 13,778 |
| Finished Goods | 21,489 | 24,893 |
| Demonstration Equipment | 10,032 | 10,556 |
| Merchandise | 135 | 141 |
| Inventory reserves | -8,193 | -7,896 |
| Inventories | 53,837 | 57,442 |

Of the total inventories of TEUR 53,837 (2004: TEUR 57,442) recognised in the balance sheet as at 31 December 2005, TEUR 8,162 is accounted for at net realizable value.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITYANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

IV.8 Accounts receivable

Accounts receivable break down as follows:

| TEUR | 2005 | 2004 |
|-----------------------------|---------------|---------------|
| Accounts receivable – gross | 24,807 | 25,337 |
| Doubtful debts reserves | -1,126 | -1,438 |
| Accounts receivable | 23,681 | 23,899 |

IV.9 Securities

Under this posting, the company classifies as available for sale the shares held in JMAR Technologies, Inc., which originate in the sale of patents and the x-ray lithography relating to technology in the financial year 2001.

The portfolio of shares was recognised at the balance sheet date at market value, which was determined by the official rate on the stock exchange. The unrealised loss of TEUR 17 arising from the change in market valuation was shown under equity in comprehensive income. The value of the shares as at the end of the year was TEUR 58 (2004: TEUR 74).

IV.10 Tax receivables

The tax receivables consist of tax prepayments of TEUR 865 (2004: TEUR 1,590) and of receivables relating to VAT of TEUR 255 (2004: TEUR 218).

IV.11 Other current assets

The following items are contained under other current assets.

| TEUR | 2005 | 2004 |
|-----------------------------|--------------|--------------|
| Prepaid expenses | 906 | 835 |
| Deposits paid | 640 | 160 |
| Currency forwards | 107 | 279 |
| Miscellaneous | 246 | 630 |
| Other current assets | 1,899 | 1,904 |

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



V. EXPLANATION OF EQUITY & BALANCE SHEET LIABILITIES

V.1 Shareholders' equity

Subscribed capital

The nominal capital of SUSS MicroTec AG as at the prior year closing date was TEUR 15,157. On 26 August 2005 it was increased from authorised capital by TEUR 1,456 to TEUR 16,613 by the issue of new shares against cash contribution. The subscription price for the new shares was EUR 4.70 per share. In total the capital increase gave rise to a gross inflow of funds of EUR 6.8 million. The supervisory board gave its consent to this capital increase. The new shares give full entitlement to profits for the financial year 2005.

Following the exercise of, in total, 180,000 subscription rights in the exercise periods provided for under the share option scheme 2002, the nominal capital from contingent capital 2002/II was increased by the issue of new shares against cash contribution by TEUR 180 to TEUR 16,793. It is divided into 16,792,968 individual shares with a notional share in the subscribed capital of EUR 1.00. We refer here to the consolidated statement of shareholders' equity.

Each ordinary share gives entitlement to one vote. The ordinary shares are not repayable and cannot be converted. Dividends may only be distributed from the distributable profits as recognised in the commercial law financial statements of SUSS MicroTec AG.

As a result of the issue of new shares, the authorised capital fell by TEUR 1,456 in the reporting year and amounted as at the balance sheet date to TEUR 6,022.

As at 31 December 2005 the company had a contingent capital totalling TEUR 6,088. It can be used in an amount of up to TEUR 4,800 for the issue of convertible bonds. A further TEUR 750 is earmarked for the granting of subscription rights under the share option scheme 2005 to members of the management board or of management and other managerial personnel in the group. The remaining TEUR 539 is allocated in the amount of TEUR 268 to the old, closed, share option scheme 1999 and in the amount of TEUR 271 to the share option scheme 2002.

| TEUR | 2005 | 2004 |
|---------------------|--------|--------|
| Subscribed capital | 16,793 | 15,157 |
| Authorized capital | 6,022 | 7,478 |
| Conditional capital | 6,088 | 5,797 |

Reserves

The group's reserves are composed as follows:

| TEUR | 2005 | 2004 |
|----------------------------|---------------|---------------|
| Additional paid-in capital | 90,673 | 84,917 |
| Earnings reserve | 433 | 433 |
| Retained earnings | -24,466 | -16,233 |
| Reserves | 66,640 | 69,117 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

During the reporting year, additional paid-in capital increased by the premium from the capital increase, after accounting for the costs incurred, in the amount of TEUR 5,279 and through the exercise of share options by TEUR 19. In addition, TEUR 458 was allocated to the additional paid-in capital from the granting of subscription rights under the existing share option schemes, with effect on income.

In comparison with the single entity financial statements of SUSS MicroTec AG, which were drawn up in accordance with HGB, the additional paid-in capital in the IFRS consolidated financial statements is subject to a different treatment of the convertible bond and the costs of capital increases in the two accounting standards.

The earnings reserve is unchanged over the prior year.

The retained earnings increased by the amount of the annual loss of -TEUR 8,233, after accounting for minority shares, to stand at -TEUR 24,466. The differences from the changeover of the accounting system from US-GAAP to IFRS were offset as at 1 January 2004 in full against group's retained earnings.

Accumulated other comprehensive income

The development of accumulated other comprehensive income is as follows:

| TEUR | 2005 | 2004 |
|---------------------------------|-------------|-------------|
| Foreign currency conversions | -880 | 0 |
| Unrealized loss from securities | -22 | 0 |
| January 1 | -902 | 0 |
| Pre-tax changes | | |
| Foreign currency conversions | 1,595 | -880 |
| Unrealized loss from securities | -16 | -35 |
| Tax effects | | |
| Foreign currency conversions | 0 | 0 |
| Unrealized loss from securities | 6 | 13 |
| December 31 | 683 | -902 |

Share option schemes of SUSS MicroTec AG

Share option scheme 1999

At the shareholders' meeting held on 6 April 1999, a resolution was passed to increase the nominal capital by up to TEUR 800 through the issue of up to 800,000 shares in order to grant subscription rights to members of the management board, of management and further managerial personnel of the group companies until 31 March 2004. The subscription price for the shares corresponds to their market value on the day when granted. 50% of the subscription rights can be exercised after a waiting period of 3 years, and 50% after a waiting period of 5 years.

The subscription rights can only be exercised by the holders of the rights if the stock exchange rate of the company's shares exceeds the subscription price on exercise of the subscription right after three years by at least 50%, after four years by at least 75% or after five years by at least 100%. The subscription rights lapse if the employment relationship ends during the waiting period, or otherwise six years after the end of the purchase term.



At the shareholders' meeting held on 14 June 2002 the contingent capital for this option scheme was reduced to TEUR 350. The issue of subscription rights on the basis of the share option scheme 1999 was revoked for the future.

Share option scheme 2002

At the shareholders' meeting held on 14 June 2002, a resolution was passed to increase the nominal capital by up to TEUR 500 through the issue of up to 500,000 shares in order to grant subscription rights to members of the management board, of management and to further managerial personnel of the group companies in the period extending until 31 December 2007. The subscription price for the shares is their market value on the day when granted. The subscription rights can be exercised 100% after a waiting period of 2 years.

The subscription rights can only be exercised by the holders of the rights if, either

- the listed price of the shares at the time of exercise of the subscription right exceeds the strike price by at least 0.625% per full calendar month between the end of the purchase term of the subscription right being exercised and the time of the exercise of the subscription right (corresponding to 7.5% for 12 months) and, additionally, the listed price in percentage terms has developed in the same period the same as or better than the Nemax Technology Index or a comparable successor index.

or

- the listed rate of the shares at the time of exercise exceeds the strike price by an average of at least 0.833% per full calendar month (10% per annum) between the end of the purchase period of the subscription right being exercised and the time of exercise.

The subscription rights lapse if the employment relationship ends during the waiting period, or otherwise three years after the end of the purchase term.

Share option scheme 2005

At the shareholders' meeting held on 21 June 2005, it was resolved to increase the nominal capital by up to TEUR 750 through issue of up to 750,000 new bearer shares in order to grant subscription rights to members of the management board, of management and to further managerial personnel in the group companies. The subscription price for the shares is their market value on the day when granted. The subscription rights can be exercised only after a waiting period of two years.

The subscription rights can only be exercised by the holders of the rights if, either

- the listed rate of the SUSS MicroTec share in the period between issue day and the first day of the exercise period, in which the share option is exercised, has increased by at least 0.625% per full calendar month and the listed rate of the SUSS MicroTec share has developed in percentage terms the same as or better than the TecDax.

or

- the listed rate of the SUSS MicroTec share in the period between issue day and first day of the exercise period, in which the share option is exercised, has risen by at least 0.8333% per full calendar month.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

The subscription rights lapse on termination of the employment relationship within the waiting period or at the end of the term. The term of the share options begins on the issue day and ends after five years.

In the reporting year, an amount of TEUR 458 (2004: TEUR 750) was allocated for these schemes to the additional paid-in capital with effect on the income statement.

Of the capital approved at the shareholders' meeting held on 21 June 2005, in the reporting year a total of 193,000 subscription rights was granted at a subscription price of EUR 4.95. In the prior year, 248,408 subscription rights were granted at a subscription price of EUR 3.44.

As at 31 December 2005, there were in total 673,027 outstanding subscription rights (2004: 761,963 subscription rights).

The weighted average market value of the options granted in 2005 in the amount of EUR 1.6152 was computed using the Black-Scholes option valuation model. The following parameters are used to determine the market value:

| | 2005 | 2004 |
|------------------------------------|---------|---------|
| Expected average term | 5 years | 6 years |
| Risk-free interest rate | 2.82% | 3.58% |
| Expected volatility of SUSS shares | 31% | 39% |
| Expected dividend yield | 0% | 0% |

The subscription rights granted by the company for purchase of shares have developed as follows:

| | Number of stock options | weighted average subscriptions price EUR |
|-------------------|-------------------------|--|
| 01.01.2004 | 523,796 | 15.68 |
| granted 2004 | 248,408 | 3.44 |
| exercised 2004 | 0 | |
| expired 2004 | 10,241 | 19.64 |
| 31.12.2004 | 761,963 | 11.64 |
| granted 2005 | 193,000 | 4.95 |
| exercised 2005 | 180,000 | 1.11 |
| expired 2005 | 101,936 | 12.37 |
| 31.12.2005 | 673,027 | 12.42 |
| exercised | 204,400 | |
| negotiable | 557,000 | |



The following table summarises the above information on all the subscription rights issued by the company:

| Subscription price level | Number of stock options | weighted average subscription price EUR | weighted average term of maturity month |
|--------------------------|-------------------------|--|--|
| under EUR 10.00 | 462,358 | 3.96 | 56 |
| EUR 10.00 – EUR 19.99 | 0 | 0 | 0 |
| EUR 20.00 – EUR 24.99 | 0 | 0 | 0 |
| EUR 25.00 – EUR 29.99 | 118,669 | 27.31 | 11 |
| EUR 30.00 – EUR 35.99 | 68,000 | 35.44 | 17 |
| EUR 36.00 and above | 24,000 | 36.00 | 11 |
| | 673,027 | 12.42 | 43 |

V.2 Pension provisions

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

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

In the case of defined contribution plans, the group does not enter into any further obligation apart from making contributions to special purpose funds. The contribution payments are recorded with effect on income, and no provisions are set up.

The pension obligations are as follows:

| TEUR | 2005 | 2004 |
|----------------------|--------------|--------------|
| Domestic liabilities | 2,124 | 2,217 |
| Foreign liabilities | 457 | 348 |
| Total | 2,581 | 2,565 |

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,

TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

Defined benefit plans

In Germany and Japan the group has defined benefit plans. The existing pension commitments in Germany comprise claims to old age, invalidity and surviving dependents' pensions and are linked to annual salary or else take the form of fixed commitments. The persons with entitlement are selected members of the management. The main actuarial assumptions are shown below:

| | 2005 | 2004 |
|---|--------|--------|
| Discount factor | 4.00 % | 5.25 % |
| Return on plan assets | 4.70 % | 4.70 % |
| Salary increase | 0.0 % | 0.0 % |
| Pension increase | 1.0 % | 1.0 % |
| Life expectancy according to tables of Dr. Heubeck 2005 | | |

No rises have been included with respect to salary as there are no longer any active claimants waiting under the German plans.

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

The following schedule shows the change in the net obligation for pensions in the financial years 2005 and 2004:

| TEUR | 2005 | 2004 |
|--|--------------|--------------|
| Balance sheet amount at January 01 | 2,565 | 2,639 |
| Post-employment benefit cost | 214 | 98 |
| Pension transfers to external funds | 42 | 44 |
| Actuarial losses | 15 | 57 |
| Pension payments | -255 | -273 |
| Balance sheet amount at December 31 | 2,581 | 2,565 |

The reconciliation of the net obligation with the amount shown in the consolidated balance sheet produces the following:

| TEUR | 2005 | 2004 |
|--|--------------|--------------|
| Present value of defined benefit obligations | 4,013 | 3,607 |
| Fair value of plan assets | -1,265 | -1,248 |
| Net obligation | 2,748 | 2,359 |
| Unrecognized actuarial gains and losses | -167 | 206 |
| Balance sheet amount at December 31 | 2,581 | 2,565 |

Of the present value of the pension obligations, TEUR 1.770 (2004: TEUR 1.528) relates to pension claims financed by funds.

The pension expenses break down as follows:

| TEUR | 2005 | 2004 |
|--|------------|------------|
| Service costs | 108 | 23 |
| Effects of plan curtailments and settlements | 0 | -37 |
| Personnel expenses component | 108 | -14 |
| Interest expenses component | 164 | 176 |
| Expected income from plan assets | -58 | -64 |
| Interest expenses component | 106 | 112 |

Defined contribution plans

For its employees in the USA who are 21 years old or older and who work a minimum of 1,000 hours per annum, the group has set up a defined contribution plan. The plan has two components: a profit participation scheme and a 401 (k) plan.

The amounts flowing into the profit participation plan are revised annually. All contributions by the company are held in a trust fund. Qualifying employees obtain a non-forfeitable claim to benefits over a period of 6 years.

Under the 401 (k) plan, the employer contribution is USD 0.50 for each 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). The employees have entitlement to the full employer contribution only after completing their third year of employment. Prior to this, they do not have any claim to employer contributions.

In the financial year 2005, the expenses to the group from the profit participation plan came to TUSD 0 (2004 TUSD 0) and for the 401 (k) plan TUSD 148 (2004 TUSD 166).

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

V.3 Other noncurrent provisions

The other noncurrent provisions comprise obligations of the group arising from agreements under the pre-retirement part-time scheme. The provisions have developed as follows:

| TEUR | As of 01.01.2005 | Utilization | Reversal | Additions | As of 31.12.2005 |
|-----------------------------|---------------------|-------------|----------|-----------|---------------------|
| Pre-retirement arrangements | 445 | -162 | -42 | 214 | 455 |

The pre-retirement arrangement concluded under a works agreement applies to employees of SUSS MicroTec Lithography GmbH, who have reached the age of 57 and were employed full-time or part-time in their present job for at least three years in the five years preceding the pre-retirement period.

During the pre-retirement period the previous regular working time is reduced to 50%. The working time to be performed during the entire pre-retirement period is generally distributed such that it is performed in full in the first half of the pre-retirement period (work phase) and the employee is released from work duties in the second half (release phase).

In addition to the gross compensation reduced to 50%, the employee receives a topping-up amount, which is measured such that the net monthly salary under the pre-retirement scheme equals at least 82% of the monthly full-time net salary. The topping-up amount is paid free of tax and social security charges.

V.4 Financial debt

The maturity structure of financial debt as at 31 December 2005 and the prior year balance sheet date is as follows:

| December 31, 2005 | Remaining term 1 year or less | Remaining term 1 to 5 years | Remaining term more than 5 years | Total |
|--------------------------------|-------------------------------------|-----------------------------------|--|---------------|
| TEUR | | | | |
| Bank liabilities | 9,114 | 4,581 | 569 | 14,264 |
| Liabilities from bonds | 3,457 | 373 | 0 | 3,830 |
| Liabilities from finance lease | 261 | 434 | 0 | 695 |
| Total | 12,832 | 5,388 | 569 | 18,789 |

| December 31, 2004 | Remaining term 1 year or less | Remaining term 1 to 5 years | Remaining term more than 5 years | Total |
|--------------------------------|-------------------------------------|-----------------------------------|--|---------------|
| TEUR | | | | |
| Bank liabilities | 4,898 | 8,685 | 737 | 14,320 |
| Liabilities from bonds | 5,634 | 3,095 | 0 | 8,729 |
| Liabilities from finance lease | 137 | 388 | 0 | 525 |
| Total | 10,669 | 12,168 | 737 | 23,574 |

Bank liabilities

Of the bank liabilities, TEUR 3,611 (2004: TEUR 2,550) relate to the utilisation of credit facilities and TEUR 10,653 (2004: 11,770) to long-term loans.

The company has various credit facilities with national and international banks. The credit facilities and their utilisation have developed as follows:

| TEUR | 2005 | 2004 |
|-------------------------|--------------|---------------|
| Credit line | 5,158 | 16,491 |
| Utilization | 3,611 | 2,550 |
| Open credit line | 1,547 | 13,941 |

The average interest rate for the utilisation of the credit facilities was 3.83% (2004: 6.39%).

During the reporting year a further portion of TEUR 1,250 was disbursed from the loan total of TEUR 3,350 agreed with IBM Deutschland Kreditbank GmbH in the prior year. The loan amount is to finance the development of a production machine under a joint development agreement with the IBM Corporation, USA. A variable interest rate was agreed of one-month Euribors plus a risk premium. The effective interest rate in the reporting year was 7.55% p.a. The loan is disbursed in line with progress on the project. As at the balance sheet date, a total of TEUR 2,500 had been disbursed. The loan is to be repaid in full on 30 June 2006 at the latest.

The loan levels at the end of the reporting year were as follows:

| Entity | 2005 | 2004 | Interest rate | Maturity |
|---------------------------------------|---------------|---------------|---------------|------------|
| SUSS MicroTec Test Systems GmbH (EUR) | 2,542 | 3,178 | 3.25% | 30.9.2009 |
| SUSS MicroTec Lithography GmbH (EUR) | 2,556 | 3,196 | 3.75% | 30.9.2009 |
| SUSS MicroTec Lithography GmbH (EUR) | 441 | 588 | 3.75% | 30.12.2008 |
| Image Technology Inc. (USD) | 474 | 692 | 9.81% | 11.4.2007 |
| Image Technology Inc. (USD) | 134 | 201 | 8.75% | 11.4.2007 |
| Image Technology Inc. (USD) | 436 | 655 | 8.75% | 11.4.2007 |
| SUSS MicroTec AG (EUR) | 2,516 | 1,250 | variable | 30.6.2006 |
| Other loans < 1 Mio EUR | 1,554 | 2,010 | | |
| Total | 10,653 | 11,770 | | |
| ...thereof due current | 5,503 | 2,348 | | |
| ...thereof due noncurrent | 5,150 | 9,422 | | |
| ... due in 2006 | 5,503 | | | |
| 2007 | 1,760 | | | |
| 2008 | 1,401 | | | |
| 2009 | 1,250 | | | |
| 2010 | 170 | | | |
| ...later | 569 | | | |
| | 10,653 | | | |

Liabilities from bonds

After the redemption as at 31 October 2005 of a part of the convertible bond of TEUR 5,634, the total of the convertible bond floated in November 2003 ran to TEUR 3,830 as at the balance sheet date. Of this amount, TEUR 3,457 relates to a convertible bond that bears interest at 6% p.a. and is repayable in full on 30 April 2006 unless during this term it is converted to up to 919,810 shares of SUSS MicroTec AG. The conversion price is EUR 9.5967 per share. SUSS MicroTec AG can demand to exchange up to 30% of the nominal amount, if the share price is higher than 140% of the conversion price on 23 of 25 consecutive trading days. The company can demand an exchange of up to 50% of the nominal amount if the share price is more than 200% of the conversion price on 23 of 25 consecutive trading days.

Furthermore, TEUR 373 relates to a warrant-linked bond, which also bears interest at 6 % p.a. and is repayable on 31 October 2008 unless the option rights to shares are exercised. The bond is linked to 373,270 subscription rights to one share each in SUSS MicroTec AG. The subscription price per share is EUR 10.0561 and is 5 % above the conversion price. It is payable by submission of a bond from the warrant-linked bond plus cash payment of EUR 9.0561 per share. As from 4 November 2004 the company can demand the exercise of one third of the subscription rights if the share price is more than 135% higher than the subscription price on 20 consecutive trading days. As from 4 November 2004 the complete exercise of the subscription rights can be demanded if the share price is more than 200% higher than the subscription price on 20 consecutive trading days.

The convertible bond is recognised in the balance sheet net of the issue costs to be amortised over the term of the bond.

Liabilities from finance leases

The company currently has operating leases for various furnishings and items of equipment in the production and administrative areas. In addition, there are finance leases for land, buildings and fixtures, technical equipment and machinery as well as for other equipment, office and plant furnishings, the underlying assets of which are capitalised and subject to normal depreciation. The terms of the lease liabilities and the future financial obligations from operating leases are as follows:

| TEUR | Finance lease | Operating lease | thereof Operating lease with related parties |
|------------------------------|---------------|-----------------|--|
| Depreciation / Expenses 2005 | 470 | 2,640 | 1,630 |
| Depreciation / Expenses 2004 | 267 | 2,997 | 1,809 |
| ... due in 2006 | 291 | 2,306 | 1,630 |
| 2007 | 226 | 1,540 | 1,301 |
| 2008 | 194 | 1,340 | 1,301 |
| 2009 | 38 | 348 | 321 |
| 2010 | 1 | 321 | 321 |
| ... later | 0 | 641 | 641 |
| Total | 750 | 6,496 | 5,515 |
| thereof interest | 55 | | |
| Liability 31.12.2005 | 695 | | |
| ... due current | 261 | | |
| ... due noncurrent | 434 | | |



V.5 Other noncurrent liabilities

The following items are contained under the other noncurrent liabilities:

| TEUR | 2005 | 2004 |
|-------------------------------------|------------|------------|
| Loans from employees | 96 | 97 |
| Liabilities to Suppliers | 0 | 139 |
| Others | 149 | 193 |
| Other noncurrent liabilities | 245 | 429 |

V.6 Other current provisions

The other current provisions are made up as follows:

| TEUR | 2005 | 2004 |
|---------------------------------|--------------|--------------|
| Warranty provisions | 1,350 | 1,266 |
| Severance payments | 435 | 1,553 |
| Restructuring | 0 | 1,569 |
| Miscellaneous | 2,183 | 2,243 |
| Other current provisions | 3,968 | 6,631 |

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

The prior year presentation under severance payments contains an accounting provision for the departure of Dr. Richter. In the financial year just ended, the company agreed with Dr. Richter the final amount of the severance payment. The provision that had been set up was correspondingly utilised and reversed.

The provision for restructuring that was set up in the prior year was for the closure of the factory in Asslar (TEUR 1,369) and of a distribution office in the USA (TEUR 200).

The restructuring measures in Asslar were concluded in the financial year 2005, with utilisation of the provision formed in the amount of TEUR 1,284 and reversal of the provision in the amount of TEUR 85. The severance of 39 employees associated with this went ahead in the first quarter of the reporting year.

The prior year provision of TEUR 200 which had been formed for the closing of a distribution office in the USA was utilised in the reporting year.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

ANALYSIS OF CHANGES IN GROUP INTANGIBLE,
TANGIBLE AND FINANCIAL ASSETS

SEGMENT REPORTING

► NOTES

The other current provisions have developed as follows:

| TEUR | As of 01.01.2005 | Utilization | Reversal | Additions | As of 31.12.2005 |
|---------------------------------|---------------------|---------------|---------------|--------------|---------------------|
| Warranty provisions | 1,266 | -1,019 | -247 | 1,350 | 1,350 |
| Severance payments | 1,553 | -900 | -653 | 435 | 435 |
| Restructuring | 1,569 | -1,484 | -85 | 0 | 0 |
| Miscellaneous provisions | 2,243 | -1,140 | -151 | 1,231 | 2,183 |
| Other current provisions | 6,631 | -4,543 | -1,136 | 3,016 | 3,968 |

V.7 Other current liabilities

The other current liabilities break down as follows:

| TEUR | 2005 | 2004 |
|----------------------------------|---------------|---------------|
| Prepayments received | 25,009 | 27,607 |
| Accrued personnel expenses | 5,730 | 4,413 |
| Third party services | 2,572 | 1,761 |
| Bonuses and commissions | 1,220 | 1,070 |
| Deferred income | 604 | 377 |
| Currency forwards | 536 | 0 |
| Turnover tax | 206 | 211 |
| Deferred subsidies | 127 | 475 |
| Repurchase guarantees | 0 | 188 |
| Miscellaneous | 97 | 82 |
| Other current liabilities | 36,101 | 36,184 |

The prepayments received comprise advance payments by customers for machines prior to their final acceptance. When the acceptance has gone ahead and with corresponding realisation of sales, the advance payments are offset against the receivables.

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



VI. OTHER DISCLOSURES

VI.1 Financial instruments

Under IAS 32, financial instruments comprise generally all economic occurrences performed on a contractual basis that include a claim for cash. They include original financial instruments such as trade receivables and payables as well as financial receivables and liabilities. The financial instruments comprise also derivative instruments that are used to hedge currency risks.

Original financial instruments

The estimated market values of the original financial instruments do not necessarily represent the values that the company would realise in an actual transaction under present market conditions.

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

Cash and cash equivalents: On account of the short-term nature of the assets, the carrying values correspond to the market values of the instruments.

Trade receivables / payables: On account of the short-term nature of the receivables and payables, the carrying values correspond approximately to the market values of the instruments.

Financial liabilities: The market value of the financial liabilities with regard to bank liabilities was calculated by discounting the expected outflow of funds at usual market interest rates for debt instruments with comparable conditions and residual terms. For liabilities with variable interest rates, the carrying values are approximately their market values since the interest rates are based on variable interest that is oriented on market rates.

Convertible bond: In order to determine the market value of the financial liabilities existing on the basis of the convertible bond, the existing yield is compared with a reference interest rate that a financial institution would use. Here consideration is given in particular to the subordination and the fact that the convertible bond is not secured. Similar assumptions are made for the current rating of the group.

Liabilities from finance leases: The market value of the liabilities from finance leases was determined by discounting the expected outflow of funds at usual market interest rates for debt instruments with comparable conditions and residual terms.

The market values of the original financial instruments are shown in the following overview:

| TEUR | 2005 | | 2004 | |
|--------------------------------|------------|--------------|------------|--------------|
| | Book Value | Market Value | Book Value | Market Value |
| Bank liabilities | 14,264 | 13,911 | 14,320 | 14,361 |
| Liabilities from bonds | 3,830 | 4,116 | 8,729 | 8,457 |
| Liabilities from finance lease | 695 | 688 | 525 | 520 |

For other original financial instruments, the market values correspond to the carrying values recognised at the different balance sheet dates.

Derivative financial instruments

For purposes of risk management, derivative financial instruments are used to limit the effects of fluctuations in exchange rates. Intra-group procurement and sales obligations in foreign currencies arise from cross-border supply relationships between the subsidiaries. This applies above all to the group companies in the currency areas of the USD and the YEN, that obtain products from affiliated companies in the EURO currency area. At the time an order is placed, forward currency transactions are concluded in order to hedge against currency changes in the period until payment is made. Since at the time the forward currency transaction is concluded, the underlying transaction has not yet occurred and will only come into being on realisation of the sale, the purpose here is the hedging of planned transactions.

Derivative financial instruments are not used for speculative purposes, and they are recognised at market values in accordance with bank notifications.

As at 31 December 2005 and 2004 the following forward exchange transactions were outstanding:

| | 2005 | | 2004 | |
|----------------------------|----------------|-------------------------|----------------|-------------------------|
| | Nominal Volume | Market Value in TEUR | Nominal Volume | Market Value in TEUR |
| Sale of USD (in k USD) | 13,730 | -534 | 3,560 | 182 |
| ...up to one year | 13,730 | -534 | 3,560 | 182 |
| Sale of Yen (in Mio JPY) | 272.3 | 90 | 306.2 | 97 |
| ...up to one year | 272.3 | 90 | 306.2 | 97 |
| Purchase of USD (in k USD) | 2,000 | 15 | 0 | 0 |
| ...up to one year | 2,000 | 15 | 0 | 0 |

The market values of the derivative financial instruments are determined on the basis of official exchange rates. As at 31 December 2005 the currency forward transactions were recognised in the balance sheet at their market value and shown under other current assets or other current liabilities. The contract values shown represent the sum of the obligations existing as at 31 December 2005. The potential risks arise from the fluctuation of the currency exchange rates and in the creditworthiness of the contractual partners, these being exclusively German financial institutions with first rate credit standing.

VI.2 Related parties

Süss Grundstücksverwaltungsgesellschaft GbR and Hungar Mountains

Various group companies (SUSS MicroTec Lithography GmbH, SUSS MicroTec Test Systems GmbH, SUSS MicroTec Inc.) rent their premises from Süss Grundstücksverwaltungs GbR or Grundstücksgesellschaft Hungar Mountains, USA. The resulting rental expenditure and the future minimum lease instalments arising from the contracts are shown in V.4.

| TEUR | 2005 | 2004 |
|-----------------|-------|-------|
| Rental expenses | 1,630 | 1,809 |

The Süss family

As former partners and now as shareholders in the company, the Süss family receives remuneration in the most various forms, among others, as pensions and rental payments. The following table presents the main relationships between the company and the Süss family. The pension claims are shown in V.2 Pension provisions.

| TEUR | 2005 | 2004 |
|--------------------|------|------|
| Salaries, Pensions | 330 | 353 |

CMS Hasche Sigle

The member of the supervisory board Dr. Schücking is a partner in CMS Hasche Sigle, a firm of lawyers. The group obtains legal consultation services from this firm of lawyers.

| TEUR | 2005 | 2004 |
|------------|------|------|
| Legal fees | 74 | 42 |

Payments to related parties

| TEUR | 2005 | 2004 |
|--------------------|--------------|--------------|
| Salaries, Pensions | 330 | 353 |
| Legal fees | 74 | 42 |
| Rental expenses | 1,630 | 1,809 |
| Total | 2,034 | 2,204 |

With regard to the remuneration of the supervisory board and the management board, we refer to VI.6.

VI.3 Financial obligations and contingent liabilities

The other financial obligations and contingent liabilities are made up as follows:

| TEUR | 2005 | 2004 |
|-----------------------------------|---------------|---------------|
| Purchase contingencies | 13,465 | 5,728 |
| Obligations from rental contracts | 7,277 | 9,498 |
| Miscellaneous | 160 | 394 |
| Total | 20,902 | 15,620 |

The purchase contingencies commits the company to later purchase of services from third parties or materials.

Of the obligations from rental contracts, TEUR 5,515 (2004: TEUR 7,751) are obligations to related parties.

In May of the prior year, in connection with the contribution of shares to SUSS MicroTec AG in the financial year 2000, it was pointed out to the company by the legal representative of the contributing party that the company had not complied with an agreement allegedly made in connection with the contribution contract regarding the tax treatment of the contribution. At present it is not clear whether this matter will lead to litigation. On the basis of the legal advice it has received, the management board considers the prospects of success of any lawsuit brought by the opposing side to be rather slight and has therefore not set up any provision for possible litigation.

VI.4 Explanations on the consolidated cash flow statement

In the consolidated cash flow statement of the SUSS-group, a distinction is made in accordance with IAS 7 (Cash Flow Statements) between payments flows from operating activities and from investing and financing activity.

The item cash and cash equivalents in the cash flow statement comprises all of the liquid funds shown in the balance sheet, i.e. cash in hand, cheques and deposits with banks if available within three months without significant fluctuations in value. As at the balance sheet date, an amount of TEUR 1,907 (2004: TEUR 0) of the liquid funds serves as security for forward exchange transactions with banks.

The cash flows from investing and financing activities are computed on the basis of payments, whereas the cash flow from current business activity is derived indirectly on the basis of the annual results. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Group balance sheet.

VI.5 Segment reporting

Information about the segments

The activities of the SUSS-group are analysed in the segment reporting in accordance with the rules of IAS 14 (Segment Reporting) by product lines as the primary reporting format and by regions as the secondary reporting format. This analysis is aligned with the internal control and reporting system and takes into consideration the different risk and earnings structures of the segments.

The activities of the SUSS-group are divided into the segments Lithography, Substrate Bonder, Device Bonder and Test Systems. The segment Other combines further activities of the group and the non-allocable costs of the group functions.

In the segment Lithography, the SUSS-group develops, produces and distributes the product lines Mask Aligner and Coater. The development and production activities are located in Germany at Garching near Munich and Vaihingen near Stuttgart. Substantial parts of the distribution organisations in North America and Asia are active for this segment. Lithography represents distinctly more than half of the entire business of the group and is represented in the micro-systems technology, compound semi-conductors, and advanced packaging markets.

The segment Substrate Bonder encompasses the development, production and distribution of the product line substrate bonder. The activities in this segment are concentrated mainly at Waterbury, Vermont, in the USA. Apart from through Waterbury itself, distribution is worldwide in small units at locations in Europe and Asia. Bond cluster, which enables vacuum-free bonding, is a major cornerstone of this segment. A further cornerstone is the supply of manual machines for 6 and 8 inch wafers applications.



The Device Bonder segment covers the development, production and distribution of the product line device bonder. The segment activities are located at St. Jeoire, France. This facility also hosts substantial parts of the distribution organisation in addition to development and production activities. On account of the technical complexity and the low size of the market, there are no other noteworthy distribution organisations within the group active for this segment.

The segment Test Systems is located at Sacka, near Dresden. Development, production and distribution in Europe are located there. It is for this segment, second to Lithography, that most of the employees in the international distribution organisations (North America, Asia) work. The Test Systems are mainly for laboratory applications, in particular for error analysis, but also for applications in the production environment (micro-systems technology, LED testing systems).

Besides covering non-allocable costs of SUSS MicroTec AG, the segment Other shows the operational activities in the mask area that are not allocated to the other segments, as well as activities in the areas micro-optics and C4NP.

Other explanations on segment reporting

The segment data were determined using the accounting and measurement methods applied in the consolidated financial statements. Due to the segmenting of the group by product line, independently of entities, there are no material inter-segmentary transactions. An exception is the charging-on of costs by SUSS MicroTec AG, recorded in the segment Other, to the other segments for the performance of certain group functions such as financing and strategy matters. In the financial year 2005, SUSS MicroTec AG charged on TEUR 2,814 (2004: TEUR 3,012) to the segment Lithography, TEUR 685 (2004: TEUR 807) to the segment Substrate Bonder, TEUR 377 (2004: TEUR 525) to the segment Device Bonder, and TEUR 1,272 (2004: TEUR 1,164) to the segment Test Systems.

The earnings figure shown is the relevant contribution of the segment to earnings. The segment earnings correspond to the earnings before accounting for income and expenses from currency translation and from disposals of intangible and tangible assets, before interest income and expense, and before income taxes.

Among the significant non-cash items, are adjustments on receivables, markdowns on inventories, personnel expenses from the share option schemes, and the reversal of provisions.

The segment assets represents the necessary assets of the individual segments. It comprises the intangible and tangible assets, including goodwill, inventories, and trade receivables.

The segment debts include the operating debts and provisions of the individual segments.

The investments are additions of intangible assets and tangible assets.

The non-scheduled write-downs of the financial year comprise impairment on goodwill of TEUR 1,839. They relate in full to the segment Device Bonder.

For the segment reporting by region, the sales are segmented according to the location of the customers. The assets and capital expenditures were calculated on the basis of the location of the group company concerned.

VI.6 Management board and supervisory board

Management board of the ultimate parent company

The members of the management board of SUSS MicroTec AG in 2005 were:

Dr. Stefan Schneidewind, Dipl.-Ingenieur, Moritzburg/OT Reichenberg, chief executive officer

Responsible for the areas: Research & development, patents, materials management and logistics, production and facility management, work safety, quality management and environmental protection, distribution and marketing, group strategy

Mr. Stephan Schulak, Dipl.-Betriebswirt FH, Rohrbach, chief financial officer

Responsible for the areas: Finance and accounts, information technology, investor relations, law, tax & insurance, human resources

The remuneration of the management board contains fixed and variable components. The management board members received as fixed remuneration monthly salaries, allowances for social security, and a company car that may be used for private purposes.

As short-term variable remuneration, the board members receive an annual bonus which is linked to individually specified objectives. Subsequent changes to the defined objectives are not permitted.

The total cash remuneration of the management in the reporting year was TEUR 672. In addition to their fixed salary (including the allowances for social security insurance and the monetary value of the private use of the company car), Dr. Schneidewind and Mr Schulak were paid totals of TEUR 46 and TEUR 36 from the provision formed as at the prior year balance sheet date for the variable remuneration. The company also assumed costs of TEUR 22 for the additional expense incurred by Dr. Schneidewind of running two homes.

In the reporting year a provision of TEUR 150 was formed for the annual bonus 2005 of Dr. Schneidewind and Mr Schulak.

In addition, 40,000 subscription rights each for company shares were issued to Dr. Schneidewind and Mr Schulak. The market value per option on issue was EUR 1.6152.

This remuneration is distributed among the different members of the board as follows:

| | Dr. Stefan Schneidewind | Stephan Schulak |
|-------------------------|-------------------------|-----------------|
| Compensation (TEUR) | | |
| Fixed | 288 | 234 |
| Variable | 83 | 67 |
| Total | 371 | 301 |
| Stock options | | |
| Number of stock options | 40,000 | 40,000 |
| Exercise price | 4.95 | 4.95 |



Moreover, on account of the options granted to board members in 2000, 2001, 2003, 2004 and 2005, TEUR 122 was recognised as personnel expense in SUSS MicroTec AG.

A provision formed in the prior year was utilised in the reporting year for a severance payment to Dr. Richter in the amount of TEUR 850 and a bonus payment of TEUR 42 for the financial year that ended on 31 December 2004. In addition, the further use of the company car was agreed until the end of the lease in the middle of June 2005. The lease payments involved came to TEUR 9. The 145,000 share options granted in total to Dr. Richter did not lapse with the ending of his appointment to the management board. Pursuant to the valid exercise conditions, they can be exercised until 30 June 2008.

There is a pension provision of TEUR 6 (2004: TEUR 3) for one former member of the management board of the company.

Supervisory board

The members of the supervisory board in the financial year 2005 were:

Dr. Winfried Süß, Munich, chairman of the supervisory board

Further appointments: ISiT, Itzehoe, (Kurator)

Thomas Schlytter-Henrichsen, Kronberg/Taunus, managing director, deputy chairman of the supervisory board

Dr. e. h. Horst Görtz, Neu – Anspach, businessman

Peter Heinz, Waterbury, Vermont, USA, businessman, (from 21 June 2005)

Further appointments: H&H Associates Inc., Waterbury, Vermont, USA (member of the supervisory board)

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

Further appointments: West Steag Partners AG, Essen (member of the advisory council)
 IZET, Itzehoe (member of the advisory council)
 Sollith Batteries GmbH, Itzehoe, (member of the advisory council)
 Sensor Dynamics, Graz, Austria (member of the supervisory board)

Dr. Christoph Schücking, Frankfurt/Main, lawyer and notary public

Further appointments: Bankhaus B. Metzler seel. Sohn & Co. KGaA, Frankfurt a. M.
 (deputy chairman of the partners' council)
 Kennametal GmbH, Fürth i. B. (member of the supervisory board)
 Kennametal Holding GmbH, Fürth i. B. (member of the supervisory board)
 Kennametal Hertel Europe Holding GmbH, Fürth i. B.
 (member of the supervisory board)
 Freudenberg & Co., Weinheim/Bergstrasse (member of the partners' council)

CONSOLIDATED INCOME STATEMENT
 CONSOLIDATED BALANCE SHEET
 CONSOLIDATED STATEMENT OF CASH FLOWS
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 ANALYSIS OF CHANGES IN GROUP INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS
 SEGMENT REPORTING
 ► NOTES

Dr. Thomas Sesselmann, Tittmoning, managing director (until 21 June 2005)

- Further appointments: Heidenhain Holding Inc., Wilmington, DE., USA (member of the board of directors)
 Heidenhain Holding K.K., Tokyo, Japan (member of the board of directors)
 ACU-RITE Companies Inc., Jamestown, NY, USA (member of the board of directors)
 Heidenhain K.K., Nagoya, Japan (member of the board of directors)
 SUMTAK Corporation, Tokyo, Japan (member of the board of directors)

The total remuneration of the supervisory board in the reporting year was EUR 42,180. The chairman of the supervisory board waived his remuneration. The members of the supervisory board received EUR 7,669 each and the deputy chairman of the supervisory board received EUR 11,504.

From his time as managing director of the predecessor company of SUSS MicroTec Lithography GmbH, there is a pension provision for Dr. Süß, the chairman of the supervisory board, which as at the balance sheet date stood at TEUR 2,243 (2004: TEUR 2,079).

Share and option holdings of the members of the corporate bodies as at 31.12.2005:

| | 2005 | | 2004 | |
|-----------------------------|-----------|---------|-----------|---------|
| | Shares | Options | Shares | Options |
| Dr. Stefan Schneidewind | 6,571 | 69,648 | 0 | 35,648 |
| Stephan Schulak | 13,000 | 80,286 | 0 | 80,286 |
| Dr. Winfried Süß | 1,131,000 | 0 | 1,025,000 | 0 |
| Thomas Schlytter-Henrichsen | 6,909 | 0 | 6,909 | 0 |
| Dr. e. h. Horst Görtz | 3,894 | 0 | 3,894 | 0 |
| Peter Heinz | 1,338 | 0 | 0 | 0 |
| Prof. Dr. Anton Heuberger | 0 | 0 | 0 | 0 |
| Dr. Christoph Schücking | 500 | 0 | 500 | 0 |
| Dr. Thomas Sesselmann | 0 | 0 | 0 | 0 |

VI.7 Employees

In the reporting year, an average of 684 employees (2004: 733 employees) were employed in the SUSS-group.

Status at the end of the year:

| | 2005 | 2004 |
|---------------------|------------|------------|
| Administration | 92 | 106 |
| Sales and Marketing | 250 | 239 |
| Operations | 332 | 386 |
| Total | 674 | 731 |

In the companies measured at equity, an average of 0 employees (2004: 0 employees) were employed.



VI.8 Fee expenses for auditors

The fee expense recognised in the financial year 2005 for the auditors of the Group financial statements, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, pursuant to § 314 (1) no. 9 HGB amounted to EUR 456 (2004: TEUR 347), and consists of the following:

| TEUR | 2005 | 2004 |
|-----------------------|------------|------------|
| Year-end audits | 359 | 322 |
| Tax advisory services | 52 | 25 |
| Miscellaneous | 45 | 0 |
| Total | 456 | 347 |

The item year-end audits includes fees for the audit of the annual financial statements of SUSS MicroTec AG, the audit of the Group financial statements and the audit of the annual financial statements of subsidiaries.

The item tax advisory services includes the fee for tax advice of SUSS MicroTec AG in selected individual fiscal questions.

VI.9 Corporate Governance

The management board and supervisory board of SUSS MicroTec AG have issued the declaration, prescribed by §161 AktG, on observance of the German Corporate Governance code (version of 4 July 2003) in December 2005 and made it permanently available under www.suss.com.

VI.10 Disclosure pursuant to § 160 no. 8 AktG

Nobel SA, 64 rue Galilée, 75008 Paris, notified the company pursuant to § 21 para. 1 WpHG in conjunction with § 32 para. 2 InvG that as at 9 May 2005 its share of voting rights in SUSS MicroTec AG fell below the threshold of 5% and that its share of voting rights now stands at 4.69%.

On 11 May 2005, Julius Baer Multistock, 69, route d'Esch, L-1470 Luxembourg, notified SUSS MicroTec AG that as at 4 May 2005 its share of the voting rights in the company fell below the threshold of 5% and that it has since held a voting right share of 4.97%.

Garching, 15 March 2006

The Management Board

Dr. Stefan Schneidewind

Stephan Schulak

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the SUSS MicroTec AG, Garching, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 15, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
(Wirtschaftsprüfer)

Querfurth
(Wirtschaftsprüfer)

GLOSSARY

300MM TECHNOLOGY

Wafers are disks of purest monocrystalline silicon, the basic material used in manufacturing microchips. By far the largest number (over 90%) of silicon wafers in use today are 200mm in diameter. The larger the diameter, the more chips can be made on one wafer (and the lower the production costs per chip). A transition is currently under way from a wafer diameter of 200mm to one of 300mm. It requires an adaptation of manufacturing and process technologies used in semiconductor technology.

ADVANCED PACKAGING

This term describes modern technologies to “package” microchips in their containers. All microchip contacts must be taken individually to the outside of the container to ensure a connection to the printed circuit board. In the more recent chip designs the number of contacts per chip has increased to over 1,000. Advanced Packaging involves packaging processes that employ methods previously used only in so-called frontend manufacturing of microchips themselves. Such as lithography and photoresist technologies.

ATOM

The smallest stable element that occurs in nature. Atoms are subdivided by size and properties into elements (the periodic system).

BACKEND

Second, rear link in the microchip production chain. The backend process begins once the wafer has passed through all frontend process steps in the manufacture of the microchip itself. In this process, microchips are tested on the wafer and, if required, prepared for bonding. The wafers are then sawn up into individual microchips that are packaged in their container. For reasons of cost, backend process work is mainly done in Asia, where semiconductor manufacturers have production facilities of their own or let third-party packaging foundries handle testing and packaging.

BIOCHIP

A small silicon, glass, plastic or paper chip divided into a large number of microstructures containing special probes of biologically active molecules.

BLUETOOTH

A technology for wireless transmission of speech and data across short distances using short-wave radio frequencies. It is mainly used for wireless communication between electronic devices, such as between mobile phone and headset or between PC and printer, etc.

BONDING

Attaching two or more components or wafers to each other by means of various chemical and physical effects. Adhesive bonding, for example, uses adhesives, as a rule epoxy resins or photoresist. Fusion or direct bonding directly links two wafers that initially are only connected by the weak atomic forces (van der Waals forces) of water molecules in the borderline layer. Heated, the water molecules are then broken down, and the oxygen atoms released combine with the wafer's silicon atoms to form the covalent bond silicon oxide, which is a very strong, non-soluble bond of the two wafers.

BUMP

A metallic (solder, gold or similar) three-dimensional contact on a chip. It is simply described as a solder ball on a single microchip contact.

CHIP

General term used for semiconductor components. In electronics a chip or microchip is understood to mean an integrated circuit embedded in a container. From outside, all you can see is the black container and the contacts that link chip and printed circuit board (by wire or flip-chip bonding). The piece of silicon in the container is frequently also referred to as a chip or microchip.

CLUSTER

A Group of individual process modules that is fed by a central robot with wafers for processing.

COMPOUND SEMICONDUCTOR

Semiconductors made up of several elements, such as gallium arsenide, indium phosphide, silicon germanium etc. Depending on the compound there are advantages over silicon, like speed, high temperature compatibility or less energy consumption than simple silicon chips.

COST OF OWNERSHIP (CoO)

This assesses acquisition and operating costs as well as 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.

C4NP

IBM pioneered Flip Chip Bonding in the late 1960s. This technology was used for the first time in 1973 with IBM System 3. Since then, billions of chips have made contact with the outside world via this process under the name IBM C4. C4 means Controlled Collapse Chip Connection and is sometimes also used as a synonym for Flip Chip Bonding. C4NP is the next generation technology of the proven C4 process. The “NP” stands for New Process.

DIE

Integrated circuits are known as dies until they are inserted into a container. They take shape on the wafer as the die undergoes its many process steps. The dies are on the wafer throughout the entire production process. Only when they are finished is the wafer cut up into individual ICs for insertion into containers. They are then known as chips. Die, IC and chip are often used synonymously, however.

DRAM

Dynamic Random Access Memory. The most widespread chip worldwide.

FAB

A fab (as in fabrication) is a manufacturing facility where ICs are produced on wafers. Building a large fab complete with clean rooms and equipment today costs around USD 1.5 billion to USD 4 billion.

FLIP-CHIP BONDING

An advanced bonding technique between chip and container that makes higher clock frequencies possible in signal transmission. The active side of the chip is face-down and therefore has to be flipped, or turned over, before assembly.

FOUNDRY

A chip factory where microchips are manufactured to a circuit design that is specified by the customer. Making goods to order in this way, the foundry operators have no chip design, product sales or marketing costs and can therefore focus their R&D resources entirely on the process technology. The leading foundries are located in Taiwan and Singapore.

FRONTEND

Frontend processes are the production steps to produce the chips themselves on the wafer. This is where the chip itself is made. Backend processes in which chips are tested on the wafer follow. The wafer is sawn up into individual chips that are then inserted into a container.

GAAS

Gallium arsenide, a semiconductor material used in the manufacture of microchips for optoelectronic and high-frequency applications. Due to its higher electron mobility than silicon, this material can be used to make faster microchips and more powerful equipment.

SEMICONDUCTOR

A monocrystalline material whose electrical resistance can be changed by implanting foreign atoms into its crystal grid. Silicon is the most important and also the most frequently used semiconductor element. ICs made of silicon are often called semiconductors.

IC

Integrated Circuit: consists of electronic components such as transistors, resistors and capacitors that are integrated on a tiny microchip. Today, tens of millions of integrated cells are housed in circuits on a single chip. This high integration density has led to enormous chip performances.

LCD-TFT

Liquid Crystal Display, Thin-Film Transistor. LCDs are liquid crystal displays consisting of two plates of glass and live strip conductors. The liquid crystal between the plates is transparent to visible light. If an electric field is generated in them, the crystals are no longer transparent and a black dot takes shape. TFT is a special technology that is used to trigger LCDs electrically. Unlike its passive matrix alternative, it can trigger every single pixel via a transistor. This so-called active matrix technology produces a better image quality than a passive matrix LCD.

LED

Light Emitting Diode. LEDs are semiconductor components that can generate light. They emit a very bright light yet at the same time consume very little energy. What is more, their life span is more than ten times that of a conventional light bulb.

LITHOGRAPHY

The electrical circuits of ICs are created by structuring individual strata on a silicon wafer in a type of layer structure. To create very small structures in the individual strata, the wafer is coated with a light-sensitive material (photoresist) and then exposed using a mask. The structures on the mask correspond to those that are to be created on the ICs in this step. Where the mask is blocking the light, the photoresist on the wafer is not exposed. Where it is transparent, light falls onto the wafer and the photoresist is exposed. This leads to a chemical change that enables the photoresist to be

dissolved in a developing bath. During development after exposure, the exposed photoresist areas are cleared above the strata and can be accessed by the following process step. Typical structure sizes for frontend lithography applications nowadays are between 0.13µm and 0.6µm. In Advanced Packaging at the backend, structure sizes ranging from several microns to tens of microns are generated by photolithography to create, for example, bumps for flip-chip bonding.

MASK

A plate of glass or quartz glass on which the patterns are mapped that are required to make up an IC. These patterns consist of transparent and opaque areas that correspond in size and shape to the circuits required. The mask is then used in the lithography step to expose certain areas and thereby to define the areas to be etched.

MEMS

MEMS (Micro Electro Mechanical Systems) is the term used mainly in North America for microsystem technology (MST), a term which is more usual in Europe. Semiconductor production technologies and processes are used to manufacture mechanical and other non-electrical elements integrated with electrical components. MEMS products are used in, for example, telecommunications, optoelectronics and medical technology.

MICROMETER/MICRON

A metric unit of length, symbol: µm. A micron is a thousandth of a meter. The diameter of a human hair is approximately 60µm.

MICROSYSTEM

A system made up of different components each less than 1mm in size.

MICROSYSTEM TECHNOLOGY (MST, MEMS, MOEMS)

This term is defined differently by region. In Europe it means the entire miniaturization of precision mechanics component structures of less than 1mm. In the United States and Asia, in contrast, microsystem technology or the more frequently used Micro Electro Mechanical Systems (MEMS) means the use of semiconductor electronics technologies to produce the smallest of sensors or even complex systems such as a complete chemical or biological analysis unit. MEMS components include, for example, the silicon acceleration sensor that is used to activate an airbag or an ink-jet printer cartridge nozzle.

MOLECULE

Atoms can combine to form a molecule and assume totally different properties.

NANOTECHNOLOGY

(greek. nānos = dwarf) A collective term comprising a broad range of technologies, which deal with structures and processes in spatial dimensions ranging from one up to several hundred nanometers. One nanometer is the billionst part of one meter (10⁻⁹ m) and defines a border range where the typical dimensions of a single molecule are found. Nanotechnology is a stringent continuation and expansion of microtechnology mostly pursued by disruptive approaches. The tasks of nanotechnology comprise the creation of materials and structures in the nanometer range.



NANOIMPRINTING

A mechanical method to create two- or three-dimensional structures in the nanometer range. In contrast to photolithographic production of devices on semiconductor wafers, the structures are formed by stamping patterns in soft polymers. The future importance of nanoimprinting will be in cost savings. Classical photolithography equipment will, if extended to extremely short wavelengths of light, become very expensive.

OPTOELECTRONICS

Semiconductor lasers, LEDs and photodiodes, etc. can be used to generate or detect light by deliberately combining semiconductor electronics technologies and materials such as gallium arsenide. This technology is mainly used in telecommunications to transmit very large data quantities (fiber-optic networks). LEDs are also put increasingly to automotive and domestic use in view of their many advantages, such as low energy requirement, very high brightness and very long lifespan.

PACKAGING FOUNDRIES

Cf Backend

PDA

Personal Digital Assistant. An electronic address book, appointment calendar and notebook.

PHOTORESIST

A light-sensitive material that is first applied as a layer to the wafer and then exposed through a mask using ultraviolet light. In exposed areas the ultraviolet light brings about chemical changes. These changed areas are dissolved from the layer during development, leaving a relief-like structure in the photoresist coating. This process is very similar to the one used in photography.

PLASMA (TREATMENT)

Plasma is a gas in which atoms, ions and free electrons coexist simultaneously. Electrical fields can be used to accelerate electrons and ions and bring about changes when they collide with a surface. What is more, plasma can generate radiation that can be used, depending on its wavelength, to subject materials to radiation treatment.

SENSOR

A component that is used to record and convert measurements such as temperature, pressure or acceleration. They are converted into electrical signals and relayed to a signal evaluation unit.

SILICON

A material with the structure of a crystal lattice with semiconducting properties. Semiconducting means that the material can be used as a conductor or non-conductor depending on the inclusion of certain foreign atoms. In the semiconductor industry, silicon in monocrystalline disk form is used as the most common base material.

SYSTEMS-ON-CHIP

Highly complex ICs incorporating many different functions. Until recently these functions had to be accommodated on several ICs. The enormous innovative momentum in process technology that has made it possible to manufacture ICs with ever smaller line widths now means that different kinds of memory, digital signal processors and analog functions can be accommodated on one chip. The advantage is that instead of many chips, only a handful or even a single one is needed, thereby reducing the space needed, the cost of assembly (and, therefore, the cost of the end product) and, most importantly, the power requirement. In battery-powered equipment, such as notebooks and cell phones, battery life is thereby prolonged. The trend toward ever smaller, mobile devices that are, moreover, set to become less and less expensive makes systems-on-chip increasingly important.

TOOL

Machinery, tools, robots, etc. Tools are all the individual systems that make up a production line in a semiconductor factory.

WAFER

Slices of purest silicon on which chips are produced. Over the past 10 years their diameter has increased from 150 via 200 to today's 300mm. Twice as many chips fit onto the surface area of the latest 300mm wafers than onto a 200mm wafer, cutting production costs by around 30 %.

WIRE BONDING

A common contact process that connects chips with the outside world by using metal wires.

WIRELESS LAN

The term wireless Local Area Network refers to the computer networks that exist in every office building. In a wireless LAN, wires are replaced by a technology that is similar to the one used by cell phone networks.

YIELD

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.

IMPRINT

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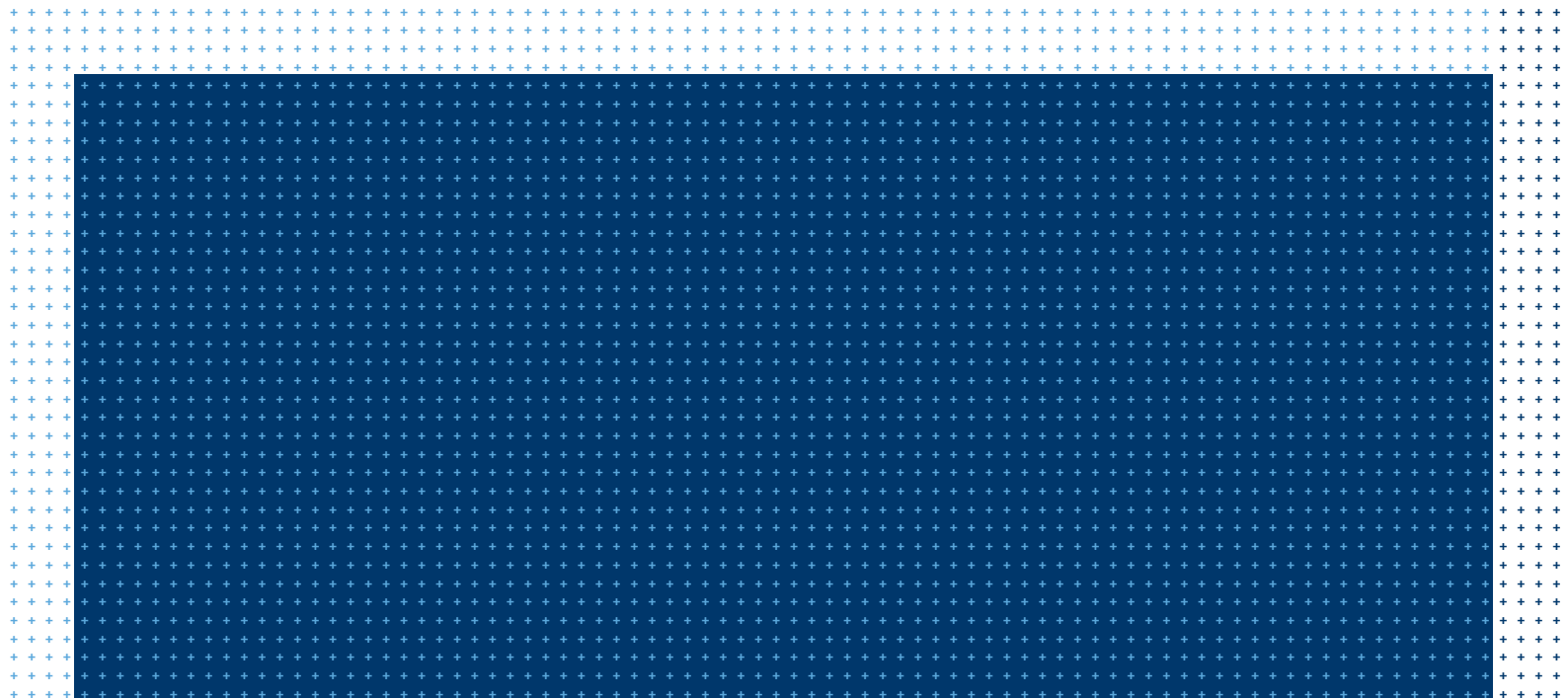
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