



Our Solutions Set Standards

Annual Report 2007



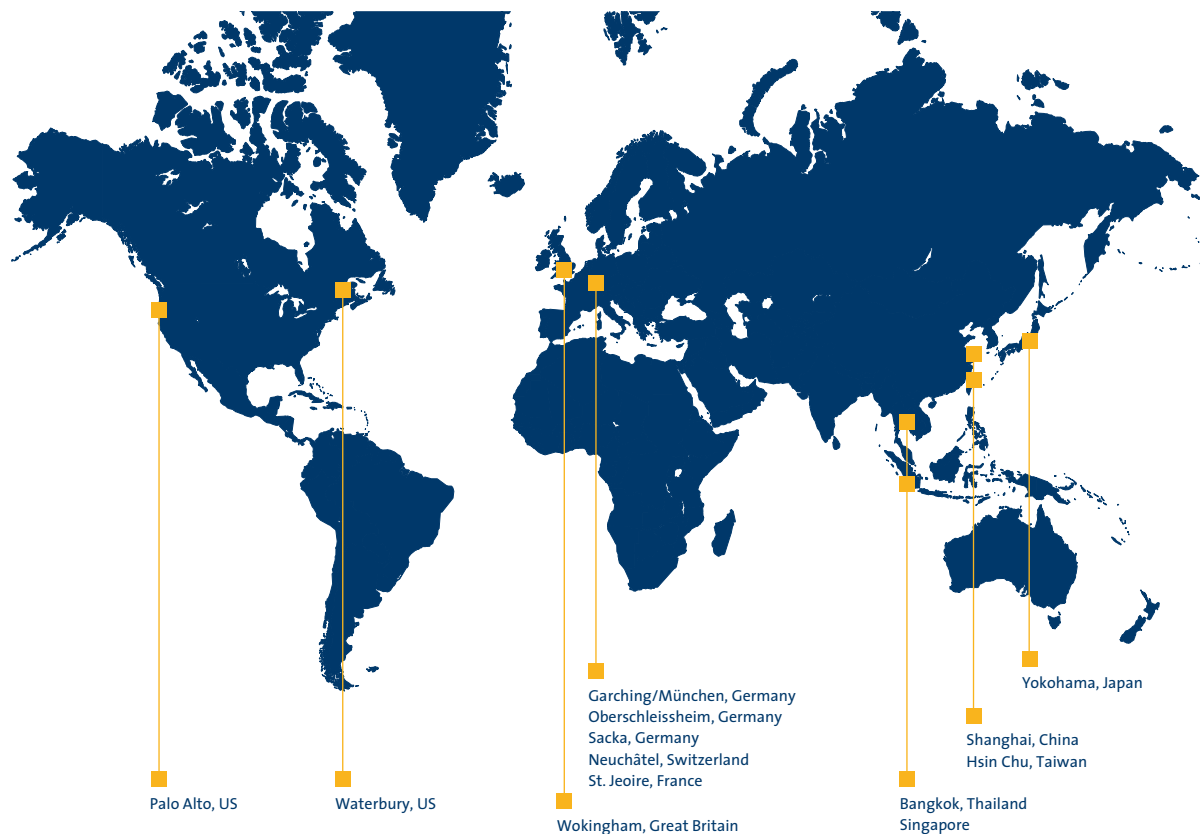
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+ + + SUSS MicroTec – a Global Player



Precision tools from SUSS MicroTec are fascinating examples of the inventiveness and efficiency of the German art of engineering. With more than 8,000 systems installed worldwide, SUSS MicroTec has been among the leading special suppliers for the chip and microsystems technology industry for almost 60 years now. From automobile airbags, to computers and cellular telephones – semiconductors and microsystems are the core of all of these devices and applications. SUSS MicroTec technology is what enables more efficient chips to be produced more cost-effectively and in greater quantities.

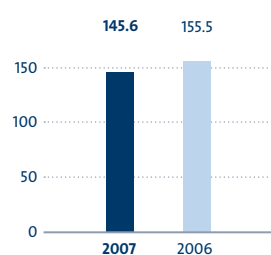
We are therefore focusing on lucrative niche markets as well as on expanding our position in Asia's rapidly growing semiconductor markets. Our goal is to continue our profitable growth over the next several years and to be at the forefront when the trend toward the three-dimensional integration of chips soon becomes the industry standard.

+ SUSS at a Glance +

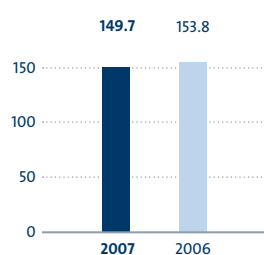
SUSS MicroTec Key Figures (IFRS)

in € million	2007	2006	Change
Sales and orders position			
Order entry	149.7	153.8	-2.7%
Order backlog as of 12/31	77.5	78.5	-1.3%
Total sales	145.6	155.5	-6.4%
<i>Sales Europe</i>	48.2	43.2	+11.6%
<i>Sales North America</i>	41.2	47.7	-13.6%
<i>Sales Japan</i>	17.9	17.1	+4.7%
<i>Sales Rest of Asia</i>	38.3	47.2	-18.9%
<i>Sales Rest of world</i>	0.0	0.3	-
Sales margin	3.1%	9.6%	-6.5%-Points
Gross profit	60.9	69.6	-12.5%
Gross margin	41.8%	44.8%	-3.0%-Points
Costs of sales	84.7	85.8	-1.3%
R&D costs	12.1	9.5	+27.4%
EBITDA	10.6	22.2	-52.3%
EBITDA margin	7.3%	14.3%	-7.0%-Points
EBIT	6.0	16.0	-63.0 %
EBIT margin	4.1%	10.3%	-6.2%-Points
Earnings after tax	4.5	14.9	-69.8%
Earnings per share	0.26	0.88	-70.0%
Balance sheet			
Equity	102.6	99.2	+3.4%
Equity ratio	62.9%	63.0%	-0.1 %-Points
Return on equity	4.4%	15.0%	-10.6 %-Points
Balance sheet total	163.1	157.3	+3.7%
Net cash	7.6	14.7	-48.3 %
Free cash flow	-7.7	7.2	-

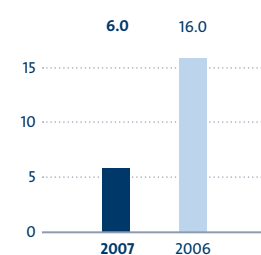
Group sales
in € million



Order income
in € million



EBIT
in € million

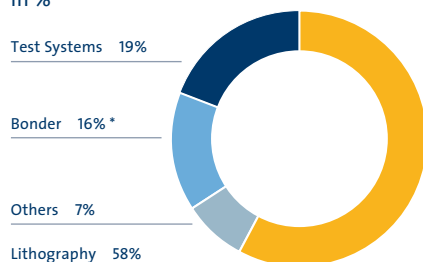


++ SUSS Segments

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Key figures
Segments

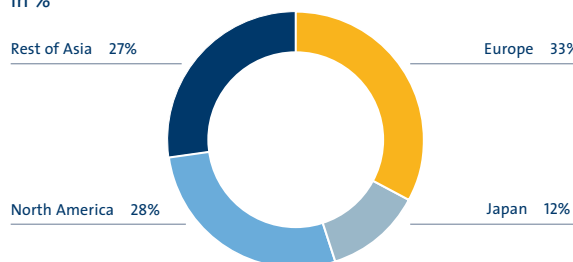
Segments	Product Lines	Target Markets
<p>Lithography</p> <p>Sales: € 83.8 million Result: € 13.7 million</p>	<p>Development, production, and distribution of the production lines Mask Aligner and Coater. This segment represents clearly more than half of the total business of the SUSS MicroTec Group.</p>	<p>Advanced Packaging Microsystems Technology (MEMS) Compound Semiconductors 3D Integration</p>
<p>Substrate Bonder</p> <p>Sales: € 16.3 million Result: € -1.0 million</p>	<p>Development, production, and distribution of Substrate Bonder, which connects two or more carrier materials (substrates) – usually wafers – with each other. Currently in the market permeation phase. Applications for wafer bonding will increase in the future.</p>	<p>Microsystems Technology (MEMS) Compound Semiconductors 3D Integration</p>
<p>Test Systems</p> <p>Sales: € 27.8 million Result: € 0.4 million</p>	<p>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 MicroTec Group.</p>	<p>Semiconductor Industry Microsystems Technology (MEMS)</p>
<p>Others</p> <p>Sales: € 11.2 million Result: € -6.1 million</p>	<p>In addition to the Mask business for the semiconductor industry in Palo Alto, USA, includes the activities in both the Micro-optics (Neuchâtel, Switzerland) and C4NP business segments as well as the holding functions.</p>	<p>Micro-optics Semiconductor Industry Advanced Packaging (C4NP)</p>

Sales by segments in %



* thereof Device Bonder 4.4%

Sales by regions in %



Interview with the Management Board

“STAYING PROFITABLE IN A WEAK MARKET”

Dr. Schneidewind, in the spring of 2007, you could look back on an outstanding 2006 fiscal year. You had finally returned to profitability, sales increased by 32 percent, and your share price had developed highly positively and even better than the overall market. What do you see when you look back on the 2007 fiscal year?

Stefan Schneidewind: Yes, we were highly pleased with the results in 2006. However, we were already aware of the fact that we had a difficult 2007 ahead of us – a year in which we would not grow, but might instead repeat the success of the year 2006 as a best case scenario. Unfortunately, this assessment was more than confirmed. Our market segments developed even weaker than expected, so that we could not realize our goal of again reaching the EBIT margin and sales volume of 2006.

The fact that we were nevertheless able to remain profitable in such a difficult environment and achieve respectable sales amounting to EUR 145.6 million is due to the superior dedication of all SUSS MicroTec employees and our frugal spending. If it were not for the unfavorable exchange rate development (which presented us with sales losses totaling approximately EUR 5 million over the entire year) we would have been able to meet the original sales guideline (based on our assumed exchange rate of USD 1.30 per euro and JPY 145 per euro).

Yet, you still had to issue a profit warning in October. What were the reasons behind this?

Michael Knopp: Having to announce a profit warning, as we did at the end of October 2007, is always a difficult step, which has strong repercussions on our standing both in the financial markets and in the eyes of our customers and competitors. Even more so after many people expected that following the boom year we had in 2006, we would be able to increase sales and earnings again in 2007. The expectations were extremely high, even though our industrial federations had only predicted a small or even a zero-growth rate for 2007.

What events then ultimately led to the profit warning in October?

Schneidewind: The profit warning became necessary when the preliminary key figures for the third quarter turned out to be considerably poorer than expected. Between July and September, due to delays in final acceptances of tools, sales of only EUR 22.3 million were achieved. Earnings before taxes and interest (EBIT) remained clearly in the negative at EUR -4.9 million. Then again, the reasons for the delayed final acceptances were not as worrisome as they first appeared. We brought various new products onto the market over the last 18 months. Delivery and start-up then lasted a bit longer than originally planned in some cases, resulting in portions of the sales being postponed, primarily Substrate Bonder sales.

Knopp: Even if it was not the critical factor for the profit warning, order entry remained significantly lower than projected in the third quarter at EUR 31.3 million. We expected orders with a value of more than EUR 40 million still in September. Some of the larger orders were then postponed to the fourth quarter, which explains the unusually high order entry of more than EUR 22 million in October. At the time of the profit warning, investments from Asia and the United States were lagging, while uncertainty was still prevailing in the market with respect to the investment volume. Added to this is the fact that we now see ourselves pitted against stronger rivals in the test and coater markets. This means more price pressure and, since our competitors come primarily from the United States and Asia, order loss due to the weak US dollar. We were unable to foresee the full extent of how strongly these factors would affect the business at the beginning of 2007. However, at the end of October, according to the analysis of the Q3 figures, we had to acknowledge that we would not be able to achieve the guideline targets.



DR. STEFAN SCHNEIDEWIND
Chief Executive Officer

MICHAEL KNOPP
Chief Financial Officer

The stock market reacted extremely negatively to the profit warning. The share price suffered more than the other semiconductor companies, which had similar or even worse numbers to report. How do you explain that?

Knopp: After a long dry spell, we are just now starting to report profits again. This is why the financial markets reacted highly sensitively to our profit warning. We still find ourselves in a phase in which we must win back the trust of our investors.

So, the third quarter left your balance sheet a little worse for wear. How did the fourth quarter turn out?

Schneidewind: We were able to achieve the highest order entry in seven years in just one quarter, topping out at EUR 54 million. Only once in the past, in the first quarter of 2001, was this greatly important key figure even higher for us at EUR 56 million.

Knopp: With an order backlog of EUR 78 million as of December 31, 2007, we have started out the new year with a lot of momentum. As you know, there is generally a period of three to six months between order entry and final acceptance. This means that the 78 million order backlog will impact sales by the end of June. Thus, more than 50 percent of annual sales for 2007 will have already been a done deal.

2007 was also impacted by efforts to move internal process reforms forward. What innovations do you have to report in this area?

Schneidewind: The most important and most challenging item is surely the Group-wide introduction of our Enterprise Resource Planning (ERP) system based on SAP. It integrates all of the administrative and operating activities along the entire value-added chain using a central database. The system is used for planning, controlling, and checking the information, material, personnel, energy, and payment flows within the organization. Thus, to mention just one example, better spare parts management is possible. This reduces the tied-up capital, simplifies the service business, makes it easier to offset intercompany transactions, and allows for costs savings in stock keeping and material procurement via better controlling functions. Material is available faster and the production cycle times are shortened.

How do things stand with the global customer database SCOPE?

Schneidewind: SCOPE is up and running and the benefits of this database are tremendous. SCOPE is an important tool for the Management Board. It can be used to keenly observe the progress of the company and detect any stumbling blocks that may lie ahead in a timely manner. SCOPE is also certainly significantly more reliable than the statements of the research companies who know very little about the special situation in the backend fabrication markets that we address. With SCOPE, we are able to create more reliable plans.

SCOPE is also helpful in sales and marketing. A semiconductor manufacturer has, for example, various production sites. Thanks to the SCOPE database, our regional sales managers are now always in the know when it comes to a customer's investment plans in the regions and they can, therefore, better manage and coordinate their internal planning.

How are things progressing with the C4NP project and your cooperation with IBM? In addition to technological success, you also need more customers to justify the expenditure for developing the product line. What happens if these customers fail to make an appearance in 2008?

Schneidewind: C4NP has successfully gone into production at IBM and IBM presented extremely good results to the public in the summer of 2007. Thus, the course is set and we now have proof of the capability of C4NP under production conditions. We must now find new customers in addition to IBM so that this new technology can be dispersed and established on the market. We will put forth our best efforts in 2008 to acquire another customer for C4NP.

During the learning process for C4NP, it was determined that revised specifications are needed for the production tools. This delays the delivery of these tools while generating additional costs. By summer, the components which are still lacking will have been delivered to IBM and be running under production conditions.

One of the hottest topics in your industry is currently 3D integration, i.e. the stacking of wafers and chips on top of one another. How will SUSS MicroTec profit from this trend and gain a share of the market?

Schneidewind: To understand the 3D growth market, one must realize that the driver of the semiconductor industry is no longer computers, but rather entertainment electronics. Cellular telephones have, for example, become ever more complex over the last several years. They offer more and more functions all housed in a smaller package. From a technological perspective, this is only possible using the 3D integration of chips. Apple's iPhone is the most well-known example of this.

Manufacturers of image sensors for cellular telephony are the first companies to manufacture using 3D technology. These companies are already customers of ours. They will also further expand their production capacities based on the growing 3D market. Tools from SUSS MicroTec are the top choice for the lithography processes that are also required. We, therefore, expect a growing demand for these special applications for our customers in Asia.

Is there a specific application associated with 3D that promises especially strong growth?

Schneidewind: Yes, there is. In the manufacture of camera modules for cellular telephones, wafer-level packaging has now been introduced. Entire silicon wafers are stacked on top of each other. This procedure makes the camera module and, thus, the device itself significantly smaller and more cost-effective. This presents an enormous opportunity for our Substrate Bonder and Lithography systems business.

The predictions for the semiconductor industry and semiconductor suppliers, including SUSS MicroTec, are not particularly optimistic for 2008. Could you comment on this in more detail?

Schneidewind: This is only partially true. In reality, most of the research institutes for the semiconductor market and for integrated circuits (ICs) are actually expecting growth averaging 7.9 percent, following only 3.9 percent in 2007. Almost all of the institutes qualify, however, that these figures are based on a scenario which assumes no substantial economic weakening in the global regions important for our industry. They also acknowledge that there may be some excess capacity in the production of memory chips in some cases.

However, the manufacturers of semiconductor equipment will not be able to profit from this growth according to the research analysts. While the overall market was still able to advance slightly in 2007, market observers are expecting an average decline of 9 percent in tool sales in 2008. (SUSS MicroTec already experienced its boom in the second half of 2006.) Analysts such as IC Insights, Gartner Dataquest, and Research Infrastructure are betting on minus ten percent, VLSI is more optimistic with minus 5.2 percent, while Semic Research is going with minus eight percent.

The industrial federation SEMI is predicting a decline of two percent in sales figures for semiconductor equipment for 2008. What does that mean in concrete terms for SUSS MicroTec's outlook?

Schneidewind: Predictions such as the one from SEMI can be useful in providing a general impression of the mood within our industry. However, the SUSS MicroTec Group, which provides equipment for special market niches, does not normally follow the general market trend one hundred percent.

Our business with MEMS, for example, where we achieve 40 percent of sales, is relatively independent of the economic situation for semiconductor equipment. MEMS are components that combine both a mechanical and an electronic function, such as those used in airbag sensors. These applications are showing steady five to eight percent growth every year, which is why we are also optimistic about our MEMS business in the current year.

The same holds true for the rapidly growing market for tools that manufacture light-emitting diodes (LEDs). Here as well, we do not see the demand fluctuations typical of the industry. Energy-saving components are in ever-increasing demand as a result of concerns about global warming.



Thirdly, our business with manual and semi-automatic tools is also relatively stable. These tools are ordered primarily by universities for research and development. This occurs every year, regardless of the investment cycle of the semiconductor industry. This also applies to the development departments of the semiconductor manufacturers.

Nevertheless, we will need to be able to withstand a certain degree of ups and downs within our industry in the future as well. In order to survive this unscathed, we must further reduce our manufacturing costs – without compromising our effectiveness and flexibility in the process.

How can SUSS MicroTec remain profitable under these market conditions?

Knopp: The key to our profitability and increasing our earnings lies in our internal processes. We are working hard on initiatives to improve efficiency – while at the same time reducing our inventory stock, production costs, and delivery times. These measures are doubly important in light of the extremely strong euro. Of course we need to do all we can to secure orders and obtain all of the open final acceptances as quickly as possible, so that this revenue can be incorporated into the balance sheet.

Can you survive over the long term as an independent company?

Schneidewind: Yes. SUSS MicroTec serves lucrative markets, in which a large number of tiny companies scrimmage, companies which, in some cases, achieve only a fraction of our sales. Some type of consolidation is expected to take place. However, SUSS MicroTec is large enough to make it through this phase and even emerge with renewed strength.



Why have you broken away from the Device Bonder business, which has its production site in France?

Schneidewind: Device Bonders are used in chip production when electronic components that are already isolated are further processed. That is, the Device Bonder takes the devices that have been sawed out of a wafer and integrates them with the utmost precision into an assembly, which is then further processed to a finished product. Admittedly, we cannot serve the growth markets mentioned, for example for the 3D integration, with our platform. Capacity would have to be 10-30 times greater.

Knopp: An extremely high level of investment would have been required for that. As the risk appeared to be too great for us following a thorough investigation, we broke away from this segment as already announced in our 2006 annual report. The Device Bonder business that was located in St. Jeoire in France was sold to the management of Suss S.A.S. as part of an MBO on June 30, 2007 for EUR 2 million. This move is also consistent with the Group's strategy of concentrating on only a few core businesses. The synergistic effects with other segments of the Group were also somewhat lacking.

Schneidewind: Of course even after the spin-off, the new company which will be called SET S.A.S. will cooperate closely with the SUSS MicroTec Group in order to guarantee, for instance, the service quality of the approximately 200 tools delivered under the name of SUSS MicroTec. Suss S.A.S. will continue to be maintained as a sales company of the SUSS MicroTec Group in France.



You have bid farewell to your production site in France. Will you hold on to you Substrate Bonder plant in Waterbury in the US state of Vermont?

Schneidewind: By all means. First of all, in these times of the euro being so strong in relation to the US dollar, it gives us a competitive edge to produce in the United States. This helps us remain competitive against strictly American companies. Secondly, we have been building up our core competence in the Substrate Bonder business for several years now in the US state of Vermont. We have a strong team there, which has been achieving an increase in sales year after year. When it comes to the sales and marketing of our entire range of products in the US (especially in the important sales market of North America as we attain approximately one third of our sales there), it is highly important to our customers to buy from and be supported by an “American” company.

In light of the restrained growth outlook for 2008 – why should investors still invest in SUSS MicroTec?

Schneidewind: One reason is the increasing demand for MEMS and microchips and the trend toward ever smaller and more efficient circuits and decreased manufacturing costs per computer unit. This rapid technological change requires conversion to new tools and we will profit from that, in particular in the advanced packaging and MEMS segments. We are also focusing on innovative technologies such as C4NP and 3D. The 3D integration will be the most important growth driver of our industry over the next five years.

Knopp: We also have more efficient methods of sales & marketing by means of the previously mentioned global customer database (SCOPE), strategic cooperation for broadening the product portfolio, and productivity enhancements through the standardization of components. However, SAP is the major factor that will make us significantly more powerful.

Let’s also not forget: we are a true global player with a well-balanced sales distribution system in Asia, North America, and Europe in addition to a worldwide network for service and sales. SUSS MicroTec continues to be a profitable company, even in difficult times, with a healthy equity base and a low debt-equity ratio. We entice customers whose brands are among the most prized in the world: Bosch, Casio, IBM, Intel, Motorola, Philips, Samsung, Siemens, and Texas Instruments, to name just a few.

What is your strategic vision? Where do you see SUSS MicroTec in five years?

Schneidewind: Our goal is to grow organically by ten percent per year over the next several years. This is a goal that by no means rules out sensible additional acquisitions. SUSS MicroTec is expected to become a company with EUR 250 million in annual sales, which will continue to remain profitable even during downswing periods in the semiconductor industry and generate continued added value for our shareholders.

Dr. Schneidewind, Mr Knopp, thank you for the interview. We wish you a successful business year 2008.

+ + Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

The Management Board kept the Supervisory Board updated in the 2007 fiscal year via ongoing written reports as well as six joint meetings. Communication was 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 30, April 20 (telephone conference), July 6, August 2 (telephone conference), September 24, and December 14, 2007, the Supervisory Board, which was always fully in attendance, thoroughly discussed with the Management Board any divergences that occurred in the course of business including order entry vs. budget and the primary reasons for these variations. The Management Board informed the Supervisory Board regarding significant business events, the various circumstances about which they are required to report, and the measures taken for risk management as well as any business risks or issues of compliance relevant to the Company or Company-relevant compliance issues that had come to their attention.

In its meeting of March 30, 2007, in addition to the 2006 annual financial statements, the Supervisory Board concerned itself primarily with the preparation of the agenda for the Shareholders' Meeting of July 6, 2007.

In the meeting of April 20, 2007, in addition to the current reporting of the Management Board, the discussions centered primarily on a report by the Chief Executive Officer regarding current business development as well as the scheduled disposal of the Device Bonder business in France.

On July 6, 2007, the day of the ordinary Shareholders' Meeting, another Supervisory Board meeting took place. The topic of discussion was once again the figures of the first quarter. In addition, the changeover from Dr. Schücking to Mr Verspay was implemented. Mr Verspay accepted the election to the Supervisory Board for the remaining period of office of Dr. Schücking and was elected to the Audit Committee.

The focus of discussions at the extraordinary meeting on August 2, 2007 was strategic issues and a report by the Management Board regarding the SEMICON West trade show.

On September 24, 2007, the Supervisory Board discussed the progress of the C4NP project and approved the plan for introducing an ERP system based on SAP. Dr. Reineck was elected to the Supervisory Board and to the Personnel Committee of the Supervisory Board of SUSS MicroTec AG as successor to Dr. h.c. Görtz, effective October 1, 2007. A Nominating Committee was also formed to prepare for the reelection of the Supervisory Board at the Shareholders' Meeting of SUSS MicroTec AG in June 2008. Members of this committee include Dr. Süß (Chair) and Dr. Reineck.

On December 14th, the following topics were included on the agenda: current business situation, outlook and planning for 2008, taking out a promissory note bond, the restructure of financing for the US subsidiary SMT Inc., and declaration of conformance to the corporate governance code. Within this context, it was determined that there were no conflicts of interest between members of the Supervisory Board and the Company with respect to the work of the Supervisory Board in the 2007 fiscal year.

The following personnel changes in the Supervisory Board took place in 2007. Upon conclusion of the Shareholders' Meeting of July 6, 2007, Dr. Schücking resigned from the Supervisory Board. The Supervisory Board would like to thank him for his dedicated collaboration on the Supervisory Board and its committees. The SUSS MicroTec Group is indebted to Dr. Schücking for his many valuable recommendations and suggestions. The Shareholders' Meeting elected Mr Verspay to replace Dr. Schücking as a member of the Supervisory Board on July 6, 2007. In addition to Mr Verspay, the Supervisory Board also welcomed Dr. Reineck as a new member for the first time in its meeting of December 14, 2007. Dr. Reineck, a member of the Management Board of the SUSS MicroTec Group from April 1 to September 30, 2007, assumed the seat of Dr. h.c. Görtz following his resignation. The Group would also like to thank Dr. h.c. Görtz for his valuable collaboration and his commitment while serving on the Supervisory Board and its committees.



DR. WINFRIED SÜSS
Chairman of the Supervisory Board

the representatives of the auditors and the Management Board and has approved the documents. The Supervisory Board hereby declares that according to the final results of its review, there are no objections to be raised against the documents it reviewed. According to the Supervisory Board, there are also no objections to be made to the reports of the auditor. The annual financial statements of the Company as of December 31, 2007 are thereby approved.

The Supervisory Board is in agreement with the management report for the 2007 fiscal year. In its review of the management report and the Group management report for the 2007 fiscal year, the Supervisory Board also paid particular attention to the completeness and content of the information as required by §§ 289 Para. 4 and 315 Para. 4 of the German Commercial Code. No peculiarities became evident as a result of this review. The Supervisory Board would like to thank the Management Board and the employees of the Company as well as its participating companies for their commitment to the Company and to the SUSS MicroTec Group of companies during the 2007 fiscal year. This dedication contributed significantly to our success.

I believe we are totally justified in calling this a successful year, even though the originally communicated sales and performance goals could not be attained and the market trend of the SUSS MicroTec share left a bit to be desired. All in all, management succeeded in remaining profitable and on course in an extremely difficult market environment.

Garching, Germany, March 27, 2008

The Supervisory Board

Dr. Winfried Süß

The meetings of the committees of the Supervisory Board took place in the form of teleconferences in some cases. In addition to the ordinary and extraordinary meetings of the Supervisory Board, meetings of the Technology, Personnel, and Audit Committees took place in 2007.

The annual financial statements as of December 31, 2007, which were prepared in accordance with the provisions of the German Commercial Code, the consolidated financial statements of the Company as of December 31, 2007 prepared in accordance with the international accounting standards designated as IFRS, the management report, and the Group management report of the Management Board for the 2007 fiscal year were audited by the auditors elected by the Shareholders' Meeting and commissioned by the Supervisory Board – KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich – and presented with an unqualified audit certificate.

The Supervisory Board has reviewed the annual financial statements of the Company as of December 31, 2007 prepared by the Management Board according to the provisions of the German Commercial Code as well as the consolidated financial statements of the Company as of December 31, 2007 prepared pursuant to § 315 a of the German Commercial Code according to the international accounting standards designated as IFRS, the management report, and the Group management report for the 2007 fiscal year. The two accountants responsible from the auditing company took part in the negotiations of the Supervisory Board regarding the above-mentioned documents. They informed the Supervisory Board verbally of the significant results of their audit. The Supervisory Board has discussed the above-mentioned documents and the findings of the auditors with



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+++ Precise and Reliable

LEDs, hard drives, airbag sensors – in the fascinating world of microelectronic chips and integrated microsystems, Lithography Systems from SUSS MicroTec are critical in the bundling and integrating of numerous functions in the tiniest of spaces.



One of SUSS MicroTec's key products is the Mask Aligner – an exposure device, which can produce the finest structures on substrate surfaces. The Coater is an ideal complement to the Aligner, since it covers the process chain before and after alignment.



Lithography



THE “MIDWIVES” OF SOME POWERFUL “LITTLE ONES”

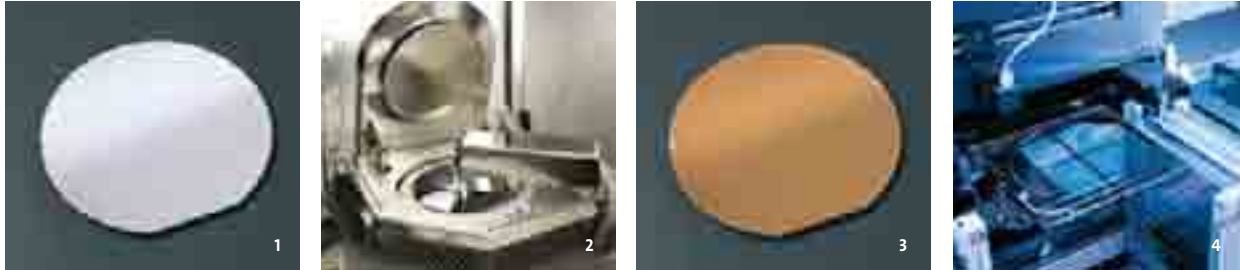
Whether talking about cellular telephones, DVD players, flat screens, automobiles, or household appliances – we can no longer imagine modern everyday life without microelectronic chips and integrated microsystems. These highly complex miniature components are able to bundle and integrate numerous functions within the smallest of spaces. However, before these electronic components see the light of day, they have a long journey to complete. In many cases, SUSS MicroTec tools such as the Mask Aligner and Coater serve as their “midwives,” adding so much to the process that we can now quickly and easily communicate across long distances, get ourselves from one place to another, and organize our everyday lives in a laid-back manner.

Silica Sand – The Basis of Chip Manufacturing

These powerful electronic “little ones” are generally manufactured from a disk-shaped silicon wafer. Silicon, the most abundant element in the earth’s crust, is found in its purest natural form as rock crystal. In its loose, contaminated form it is known as sand or, more precisely, “silica sand.” The silicon extracted from silica sand can conduct electricity. Its conductivity is, however, not as good as that of metals, which is why we use the term “semiconductors.” When silicon is intermixed with foreign atoms, currents in silicon disks can be controlled in a precise manner - e.g., they can be turned on and off.

From Silicon Wafer to Highly Complex Microsystem

At the very beginning of the process chain, the disk-shaped silicon wafers are coated with a light-sensitive photo resist using a Spin or Spray Coater. Following this step, the Mask Aligner exposes the resist via a glass mask and transfers the structures of the circuit, which are etched into the mask and needed for the manufacture of the chip, onto the resist by means of shadowing. This is similar to the process of taking a photograph. While the resist hardens on the exposed areas, the photo resist is removed by a Developer which also manufactured by SUSS MicroTec. By using suitable masks, the areas of the silicon surface designated for further processing can be uncovered, so that little by little, combined with additional processing steps, the structures on the wafer surface can be built up in thin layers.



A LONG WAY FROM SILICA SAND TO CHIP

SUSS MicroTec tools are used for a large number of processing steps. Disk-shaped silicon wafers are manufactured from silica sand (1). Using a Spin or Spray Coater (2), the wafers are coated with a light-sensitive photo resist (3). The Mask Aligner exposes the resist and, by means of casting a shadow on the wafer, transfers the structures of the mask needed for the circuits (4).

As a general rule in chip manufacturing, a distinction is made between the actual production of the circuits on the chip (known as the “front end”) and all of the subsequent processing steps (referred to as the “back end”). Thus, among other things, the already finished microprocessors are soldered onto the carrier substrate and brought into contact with the circuits. During this procedure, which is called advanced packaging, hundreds of tiny solder bumps must be attached to the chips with sub-micrometer precision. SUSS MicroTec’s Lithography technology has been used to prepare structures for the attachment of these solder bumps for over a decade with great success.

A Competitive Edge Thanks to SUSS MicroTec Technology

Through continual improvements and further technical developments, Lithography systems from SUSS MicroTec are able to effortlessly keep pace with the ever-increasing demands of the industry for better quality, faster connections, and smaller dimensions. Our Mask Aligner, produced in Garching near Munich, Germany, not only features amazingly high precision. They are also a cost-effective acquisition and can process more wafers in one hour than the exposing systems of the competing stepper technology.

The SUSS MicroTec Spin Coater is a master of flexibility and versatility. In addition to traditional photo resists, they are able to apply uniform coats even with extremely viscous polyimides. Polyimides are materials that can withstand high temperatures. These materials are a necessity in modern chip production. An important competitive advantage arises here for the SUSS MicroTec Coater produced in our plant in Vaihingen/Enz (Germany) and a number of important new application areas have been opened.

The Spray Coater process developed by SUSS MicroTec masters the great art of evenly applying a thin coat of material – also on sharp edges and the interior sides of corners – without bleeding or dripping. This “miracle” of spraying, which has meanwhile been patented, has already been used successfully for some time now in the automated production of microsensors where instead of even silicon wafers, surfaces with pre-etched corners, oscillatory structures, and steel channels need to be coated. Among other things, microsensors are used for photo functionality in cellular telephones in the form of image chips or releasing automobile airbags in the form of pressure sensors.





The Substrate Bonder segment is SUSS MicroTec's third-largest business segment. Substrate or wafer bonding is a joining process in which two or more structured wafers are connected, for example, by means of heat or pressure, to produce a micromechanical chip.

+++ Precise and Efficient

The image memory chips in our camera phones, the pressure sensors in the airbags of our cars – whether we're talking about more fun or more safety, our modern-day lives would not function nearly as smoothly without SUSS MicroTec's Substrate Bonder. This SUSS MicroTec Bonder is responsible for connecting the various functional levels of a micromechanical chip with one another, resulting in efficient MEMS (Micro Electro Mechanical Systems) components.

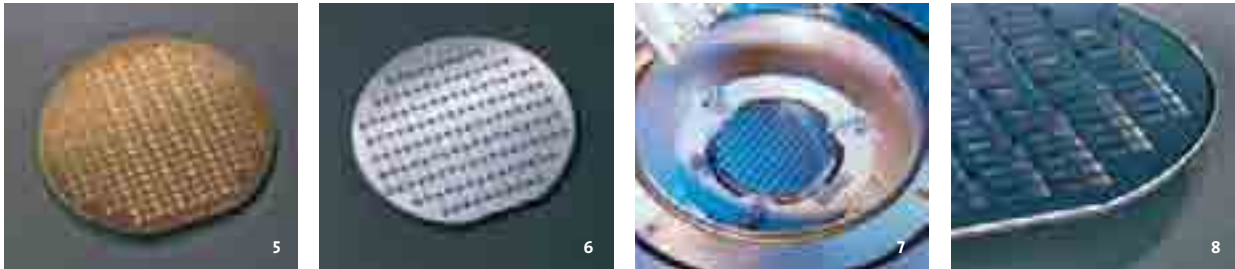
+ + + Substrate Bonder + +

ON A JOURNEY TO THE THIRD DIMENSION

What exactly does a Substrate Bonder from SUSS MicroTec actually do? When is this tool, which is developed in our plant in Waterbury in the US state of Vermont, used? The easiest way to understand this is to take a look at the two fundamentally different types of applications for which the Bonder is implemented: One application entails the encapsulation of highly sensitive components for microsystems technology, known as MEMS (Micro Electro Mechanical Systems). During the manufacture of these micromechanical components, the mechanical properties of silicon and other semiconductor materials are used as opposed to electronic elements. Using processes that are known from the manufacture of electronic circuits, mechanical structures are created in silicon wafers. These structures then generate sensors which are used in safety systems within the automotive industry, such as in the release mechanisms of airbags, in stability control systems, and even in engine timing to reduce exhaust gasses. MEMS can also be found within the microphones of cellular telephones as well as the image stabilization programs of video cameras, navigation devices, and game consoles.

From Silicon Wafer to a MEMS Component

How exactly is a MEMS component produced from silicon wafers? For micromechanical applications, a second wafer is bonded onto a fully processed wafer. This step is extremely critical for the performance of the MEMS and is only successful with highly precise tools such as those produced by SUSS MicroTec. This bonding typically requires that the two wafers be precisely aligned. Following this alignment, the wafers are bonded together by a mechanical clamp inside a bonding chamber with precisely controlled temperature and pressure. This method generates, for example, MEMS components for the aforementioned applications in automotive technology. This market has been growing steadily since as early as the mid-1990s. However, in the last several years, new applications in the consumer goods sector have exhibited extremely high growth rates.



While the resist hardens on the exposed areas with the addition of heat (5), the remaining photo resist is removed in an additional processing step using a developer (6). In the bonding chamber (7), after precise alignment and mechanical clamping, substrates (usually wafers) are connected to each other (8) using strictly controlled temperature and pressure.

3D Integration – The Industry of the Future

The stacking of wafers and chips, known as 3D integration, presents a new, exciting market for wafer bonding processes. Today’s microchips must become ever smaller and more efficient. At the same time, the cost must be kept as low as possible. This is why the semiconductor industry has started to arrange the components on top of one another and bind them electrically. These 3D or TSV (through-silicon via) processes also require the precise alignment and bonding of the wafers. Based on the tools developed for MEMS production, SUSS MicroTec is providing tools for the 3D processes. The manufacturers of portable electronic devices (cellular telephones, MP3 players, and PDAs) are the driving force on the 3D market, since the advantages are obvious. Camera modules can be made drastically smaller, with a simultaneous increase in resolution. Without this increase in performance using 3D processes, cellular telephones could not be manufactured nearly as compact and user-friendly as has become standard today.

Decades of Experience and Outstanding Expertise

Thanks to experience with high-precision alignment for lithography applications which spans decades, SUSS MicroTec has established a broad base of expertise on complex wafer bonding requirements. The combination of mechanical precision and exact process controlling makes it possible to produce cost-effective micromechanical and stacked components for 3D applications at a high volume. This is the kind of know-how that our customers truly appreciate.





GSG-50

IZI PROBE

+

++



With Test Systems from SUSS MicroTec, one can measure the electrical responses of components on a chip. This market originated in the early 1970s, as the semiconductor industry steadily grew and, along with it, the need for assuring chip quality. SUSS MicroTec was on the scene from the very beginning developing the Prober tools for wafer and substrate quality assurance.

+++ Precise and Flexible

Whenever microchips have to be put to the test, Test Systems from SUSS MicroTec take center stage. Whether pertaining to random sampling, optical follow-up checks, or the individual testing of small batches in research laboratories, our Prober tools can be implemented flexibly and are ready to handle even the most unusual tasks that may arise.

+ + + Test Systems



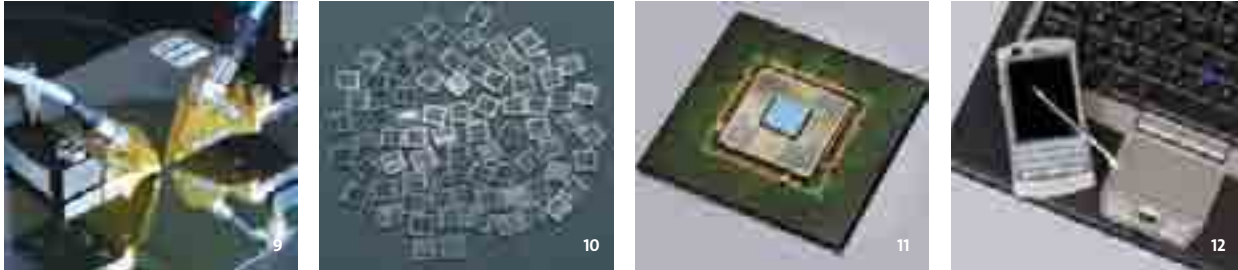
“SEPARATING THE WHEAT FROM THE CHAFF”

In the Test Systems division, located in Sacka near Dresden, Germany, SUSS MicroTec focuses on a highly specialized market segment. The main area of concentration here is not the production, but rather the analysis of electronic components. During testing and checking, the electric functions of components on a microchip are analyzed and evaluated – in research and development and even in mass production. Since chip production is becoming ever more complex and demanding, testing also requires more and more precise procedures. Only chips that have been carefully checked for functionality and durability ultimately guarantee flawless products such as camera phones, automobile airbags, or game consoles. Probers, another name for the test devices, are therefore used in all production markets. Analysis areas of particular importance include the semiconductor market, high-frequency technology, microsystems technology (MEMS), and optoelectronics.

Stringent Quality Control ...

In addition to functional tests, SUSS MicroTec Probers are also used for chip characterization, error analysis, and reliability tests. All test areas are increasing in importance and all place the same high demands on our development engineers. The tests must be ever faster, more cost-effective, more individualized, and more precise at the same time. For the entertainment electronics user, this transformation to the high-tech world can be understood most easily by taking a look at microprocessors. In the early 1990s, microprocessors were still composed of fewer than four million transistors. Today, it takes up to 50 million transistors to help our PCs reach their full capacity. In the future, 400 million transistors and more will become standard within a computer while the computer itself will become increasingly smaller. The improvement of testing and production procedures must therefore proceed at the same pace – with a small “head start” for the testing devices. Only then can we be sure that the millions of chips in laptop computers and cellular telephones will actually function. If this quality control is not taken seriously enough, the chip manufacturers risk delivering faulty components to their customers.

This becomes clear once again in the PC example. Reliability tests must be carried out in order for the PC to function flawlessly. Until now, these tests were either carried out one after another on hundreds of individual chips or after the isolation and encapsulation of these structural elements. The tests therefore lasted up to 300 hours per silicon wafer. By using the latest generation of Probers, the test time can now be reduced from weeks to hours. For example, a manual SUSS MicroTec Prober already analyzes many tiny test structures at the wafer level simultaneously. This method of analysis is an absolute novelty worldwide. Customers profit doubly from this. The test runs have become considerably faster and production costs significantly lower.



With the aid of the Prober (9), the silicon wafers are efficiently tested for reliability and functional capability. Both electrical and non-electrical test procedures are implemented before the separation of the chips (10). The wired ("packaged") chip (11) is then used in modern devices, such as laptop computers or cellular telephones (12).

... for Flawless Products

SUSS MicroTec also offers a number of innovations for test procedures in microsystems technology. Here, it is a matter of testing components that combine an electrical and mechanical function, also referred to as Micro Electro Mechanical Systems (MEMS). For example, sensors for airbags or navigation systems are designed to measure physical dimensions such as pressure, acceleration, or force. A strictly electrical test procedure, as is customary in microelectronics, only allows us to make a conditional statement about the functional capability of the sensor. With the new "on-wafer testing" for MEMS components, SUSS MicroTec Probers already carry out test procedures with non-electrical signals on the wafers during the production of these microsystems. Our MEMS testing devices – for example with added physical variables such as pressure or force – check the functional capability of the sensors. As approximately 60% of the total cost of a MEMS component centers around packaging, the testing and designation of operative MEMS sensors ensure that only functional components progress to the expensive packaging stage.

As there is, meanwhile, a veritable flood of various sensors types, the range of microsystems technology testing module types has also increased sharply. Many of these modules are customized fabrications for our customers. Individual and flexible solutions are taking center stage for future innovations. This is why SUSS MicroTec develops Probers in close cooperation with its customers including the Fraunhofer Institutes and global industry giants such as IBM and Texas Instruments.



+ + + Investor Relations +

Investor Relations Activities

Since its initial stock market listing in the year 1999, SUSS MicroTec AG has always declared its support for active investor relations that are consistently oriented toward the interests of its shareholders. The Company therefore feels that one of its prime obligations is to inform the public about its business development on a regular basis in a comprehensive and timely manner. In addition to maintaining a dialog with private and institutional investors, contact with financial analysts as well as the business and financial press is a top priority of the investor relations activities.

The goal of all investor relations activities is to create a deeper understanding of the business segments of the SUSS MicroTec Group among the various target groups and communicate the corporate perspectives in the markets being addressed.

Thus, within the scope of the presentation of the consolidated financial statements, the Company is publishing a comprehensive annual report to inform the shareholders about the Company's development and risks of the corporate activities in the fiscal year just ended as well as about the perspectives for the new fiscal year. The annual report will be made available in printed form for anyone interested, but can also be downloaded as a PDF file from the SUSS MicroTec AG website (www.suss.com). The Company also publishes quarterly and semi-annual financial reports.

In addition to the required obligations within the scope of corporate reporting and ad hoc publicity, SUSS MicroTec AG provides information to its shareholders as well as the financial public on a regular basis in the form of press releases about current developments which are important for the Company.

Shareholders' Meeting Confirms Company's Course

On July 6, 2007, the Management Board and the Supervisory Board of SUSS MicroTec AG welcomed approximately 160 private shareholders, institutional investors, and representatives of the press to the ordinary Shareholders' Meeting at the offices of Bayerische Wirtschaft in Munich. As part of the agenda, Chief Executive Officer Dr. Stefan Schneidewind commented on the Company's results for 2006 fiscal year and presented the focal points of the Management Board's activities. Following this, the present shareholders once again clearly voiced their support of the work of the Management and Supervisory Boards. All of the resolutions proposed were accepted by the shareholders by a clear majority.



Investor Discussions

Again in the 2007 fiscal year, the Management Board of SUSS MicroTec AG actively sought out discussions with capital market participants. In more than 50 individual meetings as well as in connection with road shows and investor conferences in Frankfurt, London, Oslo, and Zurich, management informed private and institutional investors as well as analysts about the economic development of the Company. The talks served to both retain existing contacts and acquire new contacts with capital market participants and financial analysts.

Within the scope of its active investor relations work and subsequent to the publication of the three-month figures on May 4, 2007, SUSS MicroTec AG extended an invitation to the DVFA analysts' conference in Frankfurt am Main, at which the Chief Executive Officer fielded the questions of the numerous financial analysts and investors who attended the event. In addition, on each interim report publication date in the 2007 fiscal year, SUSS MicroTec AG organized a telephone conference, during which both investors and financial analysts had the opportunity to obtain current information from the Management Board about business development over the past several months as well as prospects for the next several months.

An Overview of the SUSS MicroTec Share

Security identification number	722670
ISIN	DE0007226706
Reuters code	SMHG.F
Bloomberg code	SMH GR
Stock exchange segment	Prime Standard
Number of shares issued (as of January 31, 2007)	17,019,126
Description of securities	No-par value bearer shares
Designated sponsor	HSBC Trinkaus & Burkhardt
Initial public offering	05/18/1999
Opening/closing price for the year in euros	7.05/4.29
Yearly high/low in euros*	10.26/4.09
Annual development in percent	-39.1%
Capital measures in 2007	Issuing of 12,200 new no-par value bearer shares for option holders from the contingent capital

* XETRA closing price



SUSS MicroTec Share Development

Despite an overall positive mood, the year 2007 was characterized by a number of low blows on the international stock markets. Record oil prices, a weak US dollar, and the US subprime mortgage crisis in particular left a considerable mark. While the definitive indexes on the European stock markets had only moderate increases to report according to the annual balance, the DAX and the TecDAX closed out the year with a plus of 22.3% and 30.2%, respectively.

In addition to the general market uncertainty, the development of the SUSS MicroTec share was burdened in the second half of the year primarily by the profit warning issued by the Company on October 29, 2007. Based on the sales and earnings development in the 2007 fiscal year, both of which remained below expectations, the SUSS MicroTec share had to endure a reduction in value of approximately 39 percent compared to the previous year and at a price of € 4.29 on December 31, 2007, was listed considerably lower than the opening price for the year of € 7.05.

With average daily sales of 110,882 units on all German stock exchanges, tradability for institutional investors was also guaranteed in the 2007 fiscal year. The average price of the SUSS MicroTec share for the period from January 1 to December 31, 2007 amounted to € 7.53.

SUSS MicroTec Share development in 2007

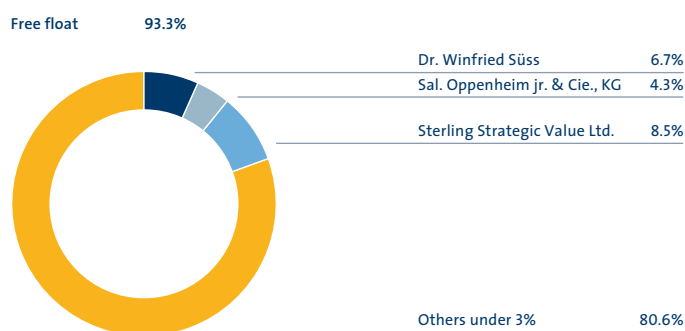
(SUSS MicroTec Share Price on January 2, 2007: € 7.05)





Shareholder Structure as of December 31, 2007

in %



Capital Increase by Exercising Stock Options

Within the scope of the 2005 stock option plan, a total of 12,200 subscription rights were exercised by employees of the SUSS MicroTec Group in the 2007 fiscal year. The capital stock of the Company thereby increased from € 17,006,926 to € 17,019,126 by using the contingent capital. The exercise price amounted to € 1.11 for 4,500 options and € 3.44 for 7,700 options. The new shares have now already been listed.

High Degree of Coverage

Despite or precisely because of the turbulent stock market year, intensive cooperation with financial analysts was included as one of the main tasks of investor relations. Thus, as in previous years, SUSS MicroTec AG was able to bank on a high degree of coverage. Currently there are seven organizations, including Deutsche Bank AG, HSBC Trinkaus & Burkhardt, DZ Bank AG, Credit Suisse AG, and Crédit Agricole Chevreux AG, who regularly publish studies on SUSS MicroTec AG.

Comparison of SUSS MicroTec AG, TecDAX, and Prime IG Semiconductor Market Trends

In the 2007 fiscal year

Index	01/01/2007	12/31/2007	Change
SUSS MicroTec AG	7.05	4.29	-39.1%
TecDAX	748.32	974.19	+30.2%
Prime IG Semiconductor	149.93	124.17	-17.2%



Corporate Governance

Trust in the management and monitoring system of a stock corporation represents an important factor for successful corporate development. To strengthen the German financial community and further improve the trust in this community, the government commission appointed by the Federal Minister of Justice passed the German Corporate Governance Code on January 23, 2002.

In addition to a short description of essential legal provisions, it also includes recommendations and suggestions for good corporate governance. There is no legal obligation to comply with these standards, however listed companies are obligated, in accordance with § 161 German Stock Corporation Act (AktG), to submit an annual “comply or explain” Declaration of Compliance with the current code recommendations. Within the context of national and international developments, the code is reviewed each year and adapted as required. The current German Corporate Governance Code was updated on June 14, 2007 and published in its revised version on July 20, 2007.

SUSS MicroTec AG places a great deal of importance on responsible and fair Company management, which is based on efficient collaboration between the Management Board and the Supervisory Board of the Company. For this reason, the Management Board and Supervisory Board of SUSS MicroTec welcome all initiatives and recommendations on the subject of the Corporate Governance Code. The annual corporate governance declaration therefore represents a self-imposed obligation of the Management and Supervisory Boards of SUSS MicroTec AG to the public to implement a fair and responsible corporate policy with the goal of taking the interests of shareholders, customers, business partners, and employees into account and thereby strengthening their trust in the Company management and monitoring system.

A large portion of the recommendations and suggestions of the German Corporate Governance Code have, therefore, already been an integral component of the corporate and communication principles of SUSS MicroTec for some time now.

Declaration of Compliance

The Management and Supervisory Boards resubmitted the Declaration of Compliance according to § 161 German Stock Corporation Act (AktG) on December 19, 2007 and explained that the recommendations of the German Corporate Governance Code in its version of June 12, 2006 were complied with, noting two exceptions – the deductible for the directors’ and officers’ liability insurance (D&O insurance) and the results-oriented remuneration of the Supervisory Board. The Boards pledged to comply with the updated version of June 14, 2007 in the future as well.



The two deviations to the recommendations of the German Corporate Governance Code are explained as follows:

- + The Code recommends in **Item 3.8**, when taking out D&O insurance, that a suitable deductible be stipulated for the Management Board and the Supervisory Board. The D&O insurance purchased by SUSS MicroTec AG and its subsidiaries pertains to group insurance for a large number of employees without any executive group-specific deductible. SUSS MicroTec AG is of the opinion that with respect to the sense of responsibility and motivation of the members of the Management and Supervisory Boards in their conscientious and responsible Company management, no deductible is necessary.
- + In **Item 5.4.7**, the German Corporate Governance Code recommends a performance-based remuneration of supervisory board members as well as remuneration for serving on and chairing committees. Notwithstanding this recommendation, the remuneration of the Supervisory Board members consists of a fixed amount and does not include any performance-based components. The remuneration of the Supervisory Board members is also stipulated in § 13 of the Articles of Association. Committee membership is compensated via an attendance payment for participation in committee meetings. Serving as the chair of a committee is not to be separately compensated.

The wording of the current Declaration of Compliance as well as of all previous declarations is published on the SUSS MicroTec AG website at www.suss.com.

Companies may also deviate from the suggestions of the Corporate Governance Code without being obligated to make a statement. In terms of the greatest possible transparency for its shareholders, SUSS MicroTec AG also comments each year on the implementation of the suggestions. SUSS MicroTec AG will observe the suggestions of the German Corporate Governance Code with the following exceptions:

- + Notwithstanding Item 2.3.3 Sentence 3 of the German Corporate Governance Code, the proxy cannot be reached during the Shareholders' Meeting, since this cannot be guaranteed with the legally required level of security at a justifiable financial expense.
- + Item 2.3.4 of the German Corporate Governance Code suggests that the shareholders of the Company be able to follow the Shareholders' Meeting via modern communication methods (e.g. the Internet). Considering the additional costs that might arise from the use of this technology, it was decided not to implement such measures at this time.
- + Since the Supervisory Board of SUSS MicroTec AG does not take part in the decision-making, there is no separate prearrangement of the Supervisory Board meetings, notwithstanding Item 3.6 Para. 1 of the German Corporate Governance Code.
- + Notwithstanding the suggestion in Item 5.4.6 of the German Corporate Governance Code, the terms of office of the members of the Supervisory Board do not expire on different dates.
- + Notwithstanding the suggestion in Item 5.4.7 Para. 2 Sentence 2 of the German Corporate Governance Code, the Supervisory Board does not receive any remuneration component based on the long-term success of the Company, but rather a fixed remuneration.



Shareholders and Shareholders' Meeting

SUSS MicroTec AG continuously informs its shareholders about business development as well as the current financial position and results of operations via press releases, the publication of annual and quarterly reports, in numerous individual discussions, and at the annual ordinary Shareholders' Meeting. The Shareholders' Meeting serves as a platform for the shareholders to discuss issues with the Management and Supervisory Boards as well as to exercise voting rights. The Shareholders' Meeting elects the members of the Supervisory Board and makes decisions as to the formal approval of the members of the Management and Supervisory Boards. The Shareholders' Meeting also makes decisions regarding the use of the retained earnings, the measures for capital procurement, and the approval of important Company agreements as well as changes to the Company's Articles of Association.

In the fiscal year just ended, the ordinary Shareholders' Meeting of SUSS MicroTec AG took place on July 6, 2007 at the offices of Bayerische Wirtschaft in Munich. During the course of the Shareholders' Meeting, the shareholders agreed on the individual agenda items, such as the formal approval of the Management Board and Supervisory Board, changes to the Articles of Association, and the selection of auditors. In addition, resolutions as to the special elections to the Supervisory Board and the cancellation of the contingent capital 2002/I were also on the agenda.

Close Cooperation of the Management and Supervisory Boards

The Company management of SUSS MicroTec AG is defined by a close and trustful cooperation of the Management and Supervisory Boards. Both Company bodies are bound to the Company's interests and commit themselves to the sustained improvement of Company value. The Management Board of SUSS MicroTec AG informs the Supervisory Board about all relevant issues of strategic orientation, planning, business development, risk position, risk management, and compliance on a regular, prompt, and comprehensive basis.

Changes in the Management and Supervisory Boards

Effective August 1, 2007, Michael Knopp has been appointed as the new Chief Financial Officer of the Company. The Master of Business Administration (Diplom-Kaufmann) thus became the successor to Stephan Schulak, who after a total of five years of serving on the Management Board of SUSS MicroTec AG, resigned from the Company on March 31, 2007 by mutual agreement with the Supervisory Board. During the period from April 1, 2007 to September 30, 2007, Dr. Stefan Reineck served as a member of the Management Board. Until Mr Knopp joined the firm as Chief Financial Officer, he was responsible for the finance and accounting, IT, legal, tax, insurance, and personnel departments, and later the strategy department.

Effective October 1, 2007, Dr. Stefan Reineck was elected to the Supervisory Board of SUSS MicroTec AG. He replaces Dr. h.c. Horst Görtz. Dr. Christoph Schücking also resigned from office as member of the Supervisory Board effective July 6, 2007. He is replaced by Heinz-Peter Verspay, an attorney from Cologne, Germany.



Transparent Remuneration

The remuneration of the SUSS MicroTec AG Management and Supervisory Boards is subject to clear and transparent criteria. The Personnel Committee of the Supervisory Board determines the Management Board remuneration, which the Supervisory Board Plenum reviews on a regular basis. If the members of the Management Board receive remuneration from assignments at Group companies, such remuneration is to be handed over to the Company. Remuneration from assignments in companies outside of the Group, which are accepted with the consent of the Supervisory Board, remains with the respective member of the Management Board in the full amount. The Management Board of SUSS MicroTec AG does not conduct any assignments in companies outside of the Group.

The remuneration of the members of the Management Board consists of fixed and variable components. Included in the fixed amounts are fringe benefits in the form of a company car and subsidies for health and voluntary pension insurance. The amount of fixed pay is determined first and foremost by the roles and/or responsibilities assigned. Employer pension commitments (old-age pension, pension for occupational invalidity, and widow's pension) in the form of direct insurance (capital sum life insurance) have also been made for members of the Management Board. No other monetary benefits have been granted.

In addition to the fixed remuneration, the members of the Management Board receive a variable remuneration based on individually defined objectives. The members of the Management Board also receive a third form of remuneration, which is share-based and aligned with the long-term success of the Company, consisting of stock options in accordance with the Stock Option Plan of 2005. SUSS MicroTec AG paid the following remunerations to the members of the Management Board in the 2007 fiscal year:

	Base salary in €*	Variable remuneration for 2007 in €	Stock options	Other payments in €**	Expenses for retirement benefits in €
Management Board					
Dr. Stefan Schneidewind	286,524.00	167,187.50	70,000	6,268.56	2,148.00
Michael Knopp ^a	67,442.00	0.00	30,000	2,611.90	2,148.00
Dr. Stefan Reineck ^b	199,998.00	0.00	40,000	0.00	0.00
Stephan Schulak ^c	56,379.00	92,500.00	0	1,567.14	537.00

* Included in the fixed salary are allowances for health benefits and a company car with personal use option.

** Allowance for voluntary pension fund

^a Member of the Management Board since August 1, 2007

^b Member of the Management Board from April 1, to September 30, 2007

^c Member of the Management Board until March 31, 2007



The remuneration of the Supervisory Board is governed in § 13 of the SUSS MicroTEC AG Articles of Association. Accordingly, each Supervisory Board member shall receive a fixed remuneration in the amount of €15,000 per fiscal year plus meeting attendance payments, while the Supervisory Board chairman always receives three times the remuneration of a basic member and his deputy receives one and one-half times the remuneration of a basic member. The meeting attendance payment is used as remuneration for committee activities and is a tool for ensuring a high level of attendance of the Supervisory Board members at the meetings. In the 2007 fiscal year, the members of the Supervisory Board did not receive any remuneration or benefits for personally rendered services, in particular consulting and mediating services, with one exception. The law firm CMS Hasche Sigle, of which the partner Dr. Christoph Schücking was also a SUSS MicroTEC AG Supervisory Board member until July 6, 2007, received a total amount of €142,874.81 in the fiscal year just ended for consulting services rendered to SUSS MicroTEC Group companies. In other respects, reference is made to the information in the Notes on the closely associated persons (see paragraph 32). The Management Board and the Supervisory Board feel that the members of the Supervisory Board are sufficiently independent. SUSS MicroTEC AG paid the following remunerations to the members of the Supervisory Board in the 2008 fiscal year for the 2007 fiscal year:

Supervisory Board member	Remuneration acc. to §13 Para. 2 Sentence 1 and Para. 3 of the Articles of Association in €	Meeting attendance payment acc. to §13 Para. 2 Sentence 3 and Para. 3 of the Articles of Association in €	Reimbursement of expenses plus 19% VAT less 30% etc. (§13 Para. 4 of the Articles of Association) in €
Dr. Winfried Süß* (Chairman of the Supervisory Board)	0	0	0
Gerhard Rauter (Deputy Chairman of the Supervisory Board)	22,500	22,500	2,684.87 minus 1,048.00 D&O-Insurance = 1,636.87 3,360.41 plus 5,842.50 VAT minus 524.25 D&O-Insurance = 8,678.66
Dr. h.c. Horst Görtz ^a	11,250	19,500	9,923.94 minus 9,020.25 VAT and 699.00 D&O-Insurance = 204.69
Peter Heinz, MBA	15,000	13,500	2,804.93 plus 4,845.00 VAT minus 699.00 D&O-Insurance = 6,950.93
Prof. Dr. Anton Heuberger	15,000	10,500	848.38 plus 3,135.00 VAT minus 349.50 D&O-Insurance = 3,633.88
Dr. Christoph Schücking ^b	7,500	9,000	997.50 VAT minus 174.75 D&O-Insurance = 822.75
Dr. Stefan Reineck ^c	3,750	1,500	2,565.00 VAT minus 349.50 D&O-Insurance = 2,215.50
Heinz-Peter Verspay ^d	7,500	6,000	

* Dr. Winfried Süß waived his remuneration in the amount of T€ 72 (of which T€ 27 was meeting attendance payments) in the 2007 fiscal year.

^a Member of the Supervisory Board until September 30, 2007

^b Member of the Supervisory Board until July 6, 2007

^c Member of the Supervisory Board since October 1, 2007

^d Member of the Supervisory Board since July 6, 2007



Composition of the Supervisory Board and its Committees as well as Functions of the Individual Members

	Supervisory Board	Audit Committee	Nomination	Personnel	Technology	Finance
Dr. Winfried Süß	Chairman	Member	Chairman	Chairman	Chairman	Member
Gerhard Rauter	Deputy Chairman			Member	Member	
Dr. h.c. Horst Görtz	Member			Member		
Peter Heinz	Member	Chairman			Member	Chairman
Prof. Dr. Anton Heuberger	Member				Member	
Dr. Stefan Reineck	Member		Member	Member		
Heinz-Peter Verspay	Member	Member				Member
Dr. Christoph Schücking	Member	Member				Member

Directors' Dealings and Shareholdings

Since July 1, 2002, the members of the Management Board and Supervisory Boards of German companies listed on the stock exchange, among others, must inform both the Company and the German Federal Financial Supervisory Authority (BaFin) if they purchase or sell shares of the Company or rights associated with these shares. This obligation applies in equal measure to certain persons closely associated with the members of the Management and Supervisory Boards. In the 2007 fiscal year, SUSS MicroTec AG received the following notifications regarding the acquisition and disposal of SUSS MicroTec shares by officers and persons closely associated with them according to § 15a WpHG:

- + Michael Knopp (Chief Financial Officer since August 1, 2007):
purchase of 5,000 SUSS MicroTec shares at a total price of € 24,977.00 on October 29, 2007
- + Dr. Stefan Schneidewind (Chief Executive Officer):
purchase of 5,000 SUSS MicroTec shares at a total price of € 24,850.00 on October 29, 2007
- + Dr. Stefan Reineck (member of Supervisory Board):
purchase of 1,000 SUSS MicroTec shares at a total price of € 4,740.00 on October 29, 2007
- + Stephan Schulak (Chief Financial Officer until March 31, 2007):
sale of 25,000 SUSS MicroTec shares at a total price of € 213,500.00 on February 22, 2007



Stock Option Plans

SUSS MicroTec AG views the issuing of stock option plans as an important element of employee participation in the success of the Company as well as an opportunity to ensure that the executives are committed to the Company over the long term. The Company currently has two stock option plans. In both cases, the options can be issued to members of the Management Board, members of management of associated companies within the meaning of §§ 15 ff. German Stock Corporation Act (AktG), and to executives of SUSS MicroTec AG and companies associated with it within the meaning of §§ 15 ff. AktG.

Stock Option Plan of 1999

The 68,000 options outstanding at the beginning of the 2007 fiscal year under the Stock Option Plan of 1999 have expired. The term of the Stock Option Plan of 1999 ended in May 2007.

Stock Option Plan of 2002

From the Stock Option Plan of 2002 passed during the Shareholders' Meeting of June 14, 2002, 39,000 options were issued at the beginning of 2007 the fiscal year (of which 0 options were issued to members of the Management Board).

In the 2007 fiscal year, a total of 12,200 subscription rights were exercised. 4,500 options, which had been issued in 2003, were exercised at a subscription price of € 1.11 and 7,700 of the options issued in 2004 were exercised at a subscription price of € 3.44. In the 2007 fiscal year, 1,550 options from the Stock Option Plan of 2002 expired. At the end of the fiscal year, a total of 26,150 options from the Stock Option Plan of 2002 were still outstanding. Of those, 7,500 options can be exercised up to the exercise period of May 2009 at an exercise price of € 1.11 and 18,650 options at an exercise price of € 3.44 up to an exercise period of August 2010, if one of the performance goals described below is reached: (i) if the stock market price of the SUSS MicroTec share has increased by an average of 7.5% per annum between the time of issuing and exercising the options and the stock market price of the Company has developed the same as or better than the Nemax or its successor index TecDAX during this time period or (ii) if the stock market price of the SUSS MicroTec share has increased by an average of 10% per annum during the period between issuing and exercising the options.



Stock Option Plan of 2005

At the beginning of the 2007 fiscal year, there were a total of 309,000 options outstanding under the Stock Option Plan of 2005 passed by the Shareholders' Meeting on June 21, 2005. In the 2007 fiscal year, a total of 347,300 options were issued at subscription prices of € 8.39 or € 8.42, of which 110,000 at a subscription price of € 8.39 and 30,000 at a subscription price of € 8.42 were issued to members of the Management Board. A total of 13,500 options of the Stock Option Plan of 2005 expired in the 2007 fiscal year. No options from this plan were exercised in the 2007 fiscal year. The number of options still outstanding at the end of the fiscal year amounted to 642,800, of which 220,000 were held by members of the Management Board. The issued options can be exercised upon expiration of a two-year waiting period, provided one of the performance goals described below is met: (i) the stock exchange price of the SUSS MicroTec share has increased by an average of 7.5% per annum during the period between issuing and exercising the options and the stock exchange price of the Company has developed the same as or better than the TecDAX during this period or (ii) the stock exchange price of the SUSS MicroTec share has increased by an average of 10% per annum during the period between issuing and exercising the options. The exercise and/or subscription prices amount to € 4.95 for 136,500 on August 31, 2005 issued options, € 7.53 for 159,000 on June 8, 2006 issued options and € 8.39 for 317,300 on May 23, 2007 and € 8.42 for 30,000 on August 22, 2007 exercised options.

Accounting and Annual Audit

The accounting at the SUSS MicroTec Group is based on the International Financial Reporting Standards (IFRS). The individual financial statements are prepared according to the provisions of the German Commercial Code (HGB).

The consolidated financial statements are prepared by the Management Board and approved by the Supervisory Board. An internal monitoring system and uniform balance sheet principles ensure that an adequate and fair picture of the Company's net assets and results of operations is reflected in all of the essential items. The Company's detailed risk report, which provides information about the responsible way in which the Company handles various types of risks, is provided on pages 59 to 64 of the annual report.

On July 6, 2007 the Shareholders' Meeting appointed KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft from Munich, Germany as auditors and Group auditors of SUSS MicroTec AG for the 2007 fiscal year.



Ownership of Shares and Subscription Rights

As of the end of the fiscal year on December 31, 2007, the members of the Management and Supervisory Boards of SUSS MicroTec AG own the following number of shares and subscription rights:

	Number of shares on 12/31/2007	Change from 12/31/2006	Number of stock options on 12/31/2007	Change from 12/31/2006
Supervisory Board				
Dr. Winfried Süß	1,131,000	–	0	–
Gerhard Rauter	0	–	0	–
Dr. h.c. Horst Görtz ^a	17,216	–	0	–
Peter Heinz, MBA	1,338	–	0	–
Prof. Dr. Anton Heuberger	0	–	0	–
Dr. Christoph Schücking ^b	500	–	0	–
Dr. Stefan Reineck ^c	1,600	+1,600	40,000	+40,000
Heinz-Peter Verspay ^d	0	–	0	–
Management Board				
Dr. Stefan Schneidewind	18,278	+5,000	150,000	+70,000
Michael Knopp ^e	5,000	+5,000	30,000	+30,000
Dr. Stefan Reineck ^f	1,600	+1,600	40,000	+40,000
Stephan Schulak ^g	0	-25,000	0	–

^a Member of the Supervisory Board until September 30, 2007

^b Member of the Supervisory Board until July 6, 2007

^c Member of the Supervisory Board since October 1, 2007

^d Member of the Supervisory Board since July 6, 2007

^e Member of the Management Board since August 1, 2007

^f Member of the Management Board from April 1 to September 30, 2007

^g Member of the Management Board until March 31, 2007

+ + Financial Information

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+++ Management Report +++

Report for the Group and SUSS MicroTec AG for the 2007 Fiscal Year

Business Framework Conditions

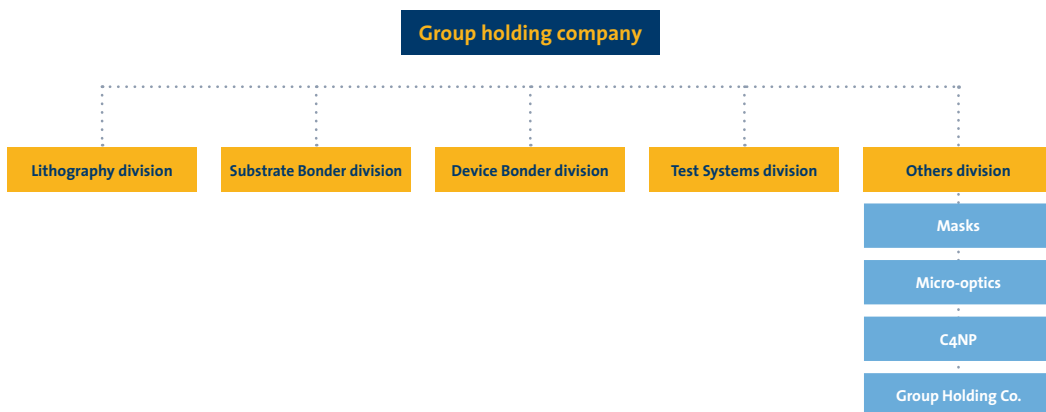
Group structure and business activities

Business activities and divisions

The SUSS MicroTec Group manufactures and markets equipment and testing systems for the production of microelectronics and microsystems technology. As a component supplier of system solutions for semiconductor technology, the Group operates as a high-performance partner of the semiconductor industry for the laboratory and production areas. The main areas of activity are concentrated in the high-growth market niches, where innovative technological development with long-term potential for success in future-oriented markets and applications is promoted. Microchip architecture and connection technology for applications in chip manufacture, telecommunications, and optic data transmission are the main areas of focus.

The larger process lines generally consist of several individual tools, where the Group sets up and utilizes networks with the help of internal and external partners to create competitive advantage.

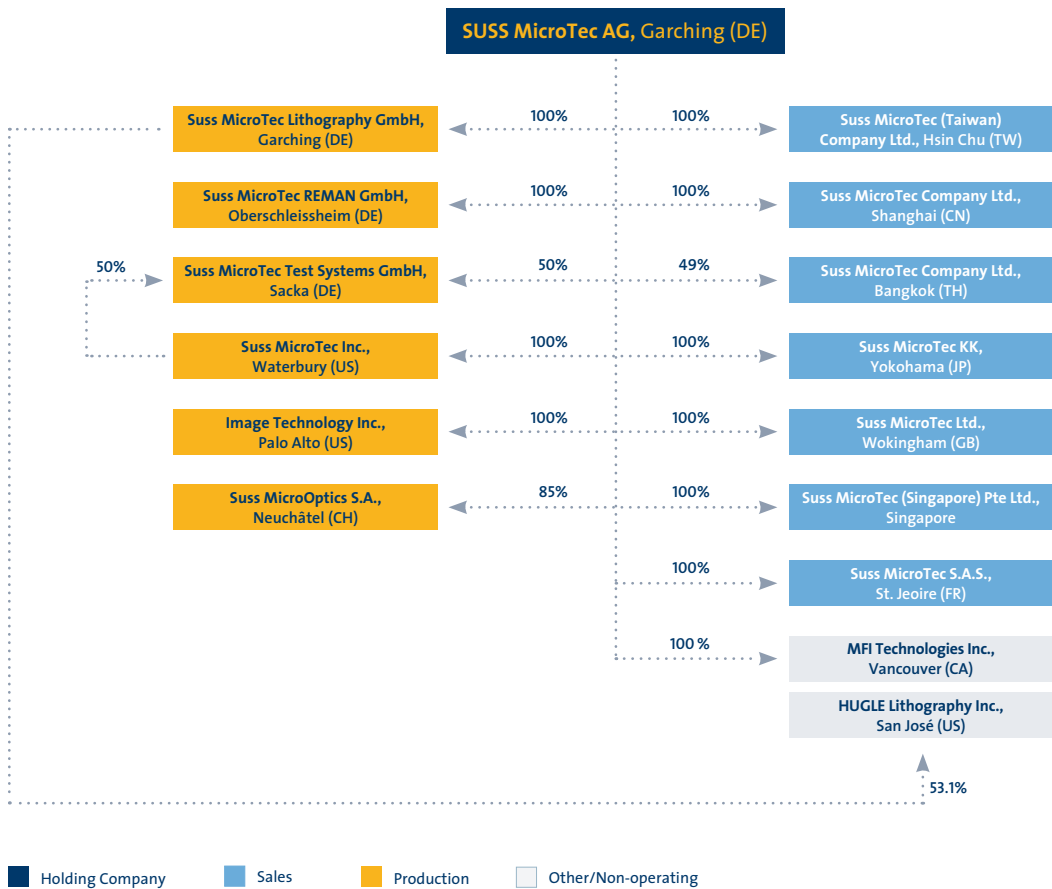
The Group is comprised of five divisions, with the Others division consisting of several sub-units that are each managed separately. The following management report takes into account both continuing and discontinued Group operations. Included among discontinued operations in the 2007 fiscal year is the Device Bonder division, which was sold effective July 16, 2007 within the framework of a management buyout (MBO).





Legal structure of the Group

The Group legal structure consists of the parent company, SUSS MicroTec AG, as the management and financial holding company, as well as 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. The Group has locations in Germany, the United States, France, Japan, China, and Taiwan, among others.



Remuneration structure

For its activities, the Management Board receives monthly fixed pay as well as variable remuneration, which is paid upon achievement of individually set goals. The fixed component includes fringe benefits in the form of a company car available for private use and subsidies for health insurance and unsolicited old-age insurance. The amount of fixed pay is determined first and foremost by the roles and responsibilities assigned. In addition, employer pension commitments in the form of direct insurance have been made to the members of the Management Board. Along with these fixed and variable remuneration components, the members of the Board receive a third form of share-related remuneration based on the long-term success of the Company. This third component consists of stock options in accordance with the stock option plan that is in effect.

Remuneration of the Supervisory Board is laid down in § 13 of the Articles of Association of SUSS MicroTec AG. Accordingly, the Supervisory Board members receive fixed pay of € 15,000 per fiscal year plus meeting attendance compensation of € 1,500 per meeting. The chairman of the Supervisory Board receives the threefold amount and his deputy one-and-a-half times the ordinary rate.

Management control, objectives, and strategy

Management control is oriented largely toward order entry, sales, and order backlog of the individual divisions. The performance of the divisions is therefore measured primarily by observing the development of the gross profit margin (sales less manufacturing costs) as well as the segment result. The segment result is the result before allowance of earnings and expenses from currency translation in addition to disposal of assets, before interest income and interest expenses as well as income taxes. No calculatory cost items are used, so that the values for internal control can be directly linked to the published values in accordance with IFRS accounting.

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

SUSS MicroTec pursues the strategy of occupying lucrative niches in the industry of semiconductor suppliers. The goal is to remain active in the relevant markets by means of clear positioning among the top 3 providers at all times. Partnerships with leading institutes and companies in industry should ensure that important trends or promising technologies are always identified in good time and examined for their potential for SUSS MicroTec. Organic growth is therefore a key consideration. External growth will be considered only in the event of interesting technologies or meaningful complementary products.

Research and development

The following is a description and explanation of the main new products and developments of the divisions and sub-units.

Lithography

For wafer bumping applications and the mass production of light-emitting diodes (LEDs), a new production Cluster was brought to market called Gamma Xpress for the coating and development of lithographic resists. The modular architecture makes it possible to configure a perfectly suited Cluster for typical applications extremely quickly. Not only is configuration made easier, but also the time required to manufacture the tool is reduced substantially so that deliverability is optimized. For customers that manufacture innovative semiconductor products, it is often highly important to both deploy a product line and “break it in” quickly. The new tool concept supports both objectives. Thus, SUSS MicroTEC reduces the critical time to market for the customer. There are additional applications for this new production Cluster in the area of gold bump coating, as used in the triggering components of flat-screen displays and in the fabrication of sawing tracks used to rewire chips. Organizational steps in 2007 included certification of the development processes in accordance with ISO 9001.

Substrate Bonder

In 2007, the first ELAN CBC300SOI production Cluster was delivered to a leading manufacturer of silicon on insulator (SOI) wafers. These engineered wafers are increasingly used for the manufacture of faster and simultaneously energy-saving processors. The engineering of these wafers includes the plate-like connection of a 300-mm silicon wafer with a substrate made of an electrically insulating material, which is accomplished by means of a bonding process. During manufacturing it is extremely important to avoid impurities, even involving microscopic particles. In addition, the fusion process used here must occur rapidly and in a controlled manner in order to achieve the best results. The new Bonder Cluster comes with a fully automated insertion and extraction device for wafers, which maximizes the efficiency of the entire system.

With the advent of 3D technology, it is necessary to upgrade existing 200-mm tools to accommodate 300-mm-diameter wafers. This is another focus of our R&D activities in the Substrate Bonder division. Technologically, the challenge consists of ensuring parameters such as alignment precision and temperature control in the 300-mm domain.

A third focus in the R&D area is the development of a cost-effective metal bonding process, which can replace existing bonding processes such as anodal bonds and glass frit bonds.

C4NP

During the summer of last year, partner and initial customer IBM could report the successful implementation of a development tool we supplied for high-volume production, including internal certification, the results of which could be partially published in professional circles.

Test Systems

In order to be able to measure electrical signals in wafers, the entire test must be constructed in such a way that it is shielded electromagnetically from interference. A specific Test Systems tool class with the brand name "ProbeShield" accomplishes this. In 2007, a next generation of PA300 ProbeShield was developed. In particular, the technical measurement features of the tool were improved. The development of a noise measurement capability (1/f measurements) set the equipment clearly apart from the competition. Such measurements are increasingly used for device and wafer characterization (DWC). Patents have been filed accordingly.

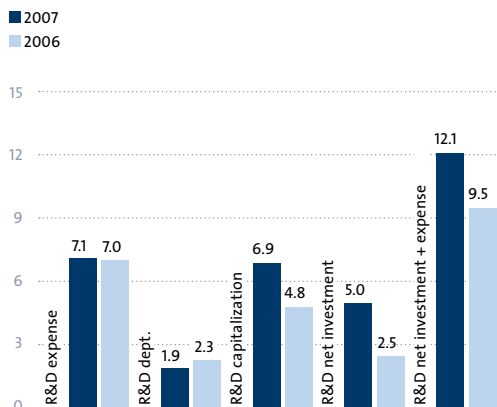
In addition, components were developed in order to make a 300-mm Prober usable for reliability measurements in the area of wafer level reliability (WLR). Patents could also be filed for special wafer bumping systems for high-temperature probe cards.

In addition, substantial improvements could be introduced in the area of image capture and processing for the Prober. The newly developed digital microscopic camera system iVista offers high resolution and rapid image capture. With it, the tool can "see" rapidly and sharply at the same time so that it can place measuring nails on the wafers more rapidly and precisely and thus become more productive.

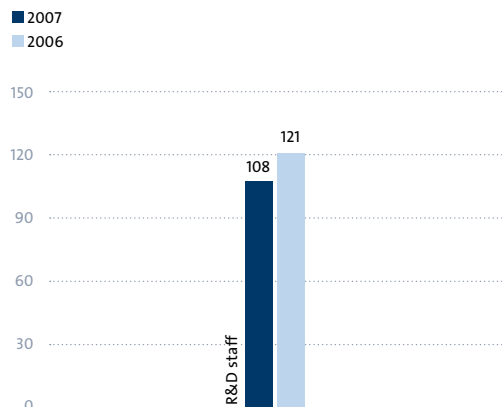
Total expenditure for research and development increased from € 9.5 to € 12.1 million compared with the previous year. The focal point within the capitalization of development results was the C4NP project.



R&D expenditures in an annual comparison
in € million



R&D employees in annual average
in € million



Group business development

After 2006 brought about a turnaround and a sales increase of 32.3%, the 2007 fiscal year was calmer. The SUSS MicroTec Group generated revenue of € 145.6 million and EBIT of € 6.0 million. These numbers lay below the original guideline, which suggested sales and EBIT at approximately the same level as in 2006. However, SUSS MicroTec was able to demonstrate that it can remain clearly profitable even in a difficult market.

SUSS MicroTec had anticipated a slight decline in the Lithography division. However, it had expected that a corresponding sales increase in the Substrate Bonder business would compensate for it. However, this increase in revenue turned out to be weaker than expected as several tools could not be delivered in time in order to have an effect on 2007 sales. In addition, unfavorable exchange rate developments involving the US dollar and the Japanese yen significantly contributed to the Group's decline in sales.

Against this background, sales of € 145.6 million can be characterized as satisfactory. The same does not apply to earnings before interest and taxes (EBIT) of € 6.0 million. Restraint on the part of important customers generated pressure on margins and led to a reduction in the gross profit margin from 44.8% (2006) to 41.8% (2007). One reason for this was economic weakness in the industry in 2007. The lower level of investment activity by customers enabled them to insist on discounts, whereas, in 2006, the pledge to deliver equipment quickly was decisive in concluding contracts. Moreover, additional costs for the C4NP production equipment to be delivered to IBM and unfavorable exchange rate developments involving the US dollar and the Japanese yen put pressure on the gross profit margin.

Order entry amounted to € 149.7 million after € 153.8 million in the 2006 fiscal year, although the extraordinarily high order entry in the fourth quarter – the second highest in the Company's history – contributed € 54.2 million. Thus, the ratio between newly received orders and realized sales (book-to-bill ratio) was 1.03 in 2007 after 0.99 (2006).

The order backlog as of December 31, 2007 totaled € 77.5 million (previous year: € 78.5), providing SUSS MicroTec with a good start for the first half of 2008.

Sales and orders position by region

Europe, North America, and Asia are important regions of the world for SUSS MicroTec's business. We divide Asia into Japan and "Rest of Asia" to reflect the fact that our customers in the advanced packaging market are located primarily outside Japan – particularly in Taiwan. This market is also more prone to fluctuations than those for compound semiconductors, MEMS, and test systems. In 2006, for example, the business with advanced packaging customers in Asia outside Japan grew disproportionately. In 2007, these customers held back with new investments in production facilities, as expected.

Order entry by region

A glance at order entry development by region in comparison to 2006 illuminates the loss in competitiveness in the US dollar area as a result of exchange rate changes.

In **Europe**, order entry rose by 16.3% to € 53.6 million after € 46.1 million in 2006. Above all, higher Coater and Mask Aligner order entry contributed to this positive development. Device Bonder order entry dropped most steeply (-82.5%), reflecting the sale of the business in July 2007.

North America registered the sharpest regional decline of -15.1% or € -7.2 million to € 40.4 million. Mask Aligner (+26.3%) and Substrate Bonder (+62.7%) product lines grew, SUSS MicroTec received fewer orders for the Coater (-57.7%), Device Bonder (-35.7%), and Photo Mask (-28.6%) lines than in 2006. The decline in Mask business is primarily explained by a difficult situation with an important customer and exchange rate developments generally, whereas the minus for Coater business is almost exclusively attributable to exchange rates. Our Coater tools are manufactured in Vaihingen an der Enz, thus in the Eurozone, whereas many of our competitors produce in the US dollar region.

In 2007, **Japan** received – as a result of the weakness of the yen – 6.9% fewer orders than in 2006, in absolute numbers: € 17.5 million after € 18.8 million. Most striking was the decline in Coater business (-75.0%), where many orders were preempted in the fourth quarter of 2006. However, there was order growth for the Mask Aligner (+21.3% or € +1.3 million to € 7.4 million) and Test Systems (+43.3% or € +1.3 million to € 4.3 million) product lines, to which stronger distribution may have been one of the contributing factors.

In **Asia** (excluding Japan), orders in 2007 were 7.3% lower at € 38.2 million than in 2006 (€ 41.2 million). After the 2006 boom year, restraint with new orders was partially expected for the Mask Aligner (-18.6%). The Test Systems division was able to counter with an increase of € 2.0 million or 62.5%.

Sales by region

As described above, sales in 2007 declined by 6.4% or € 9.9 million compared with the previous year to € 145.6 million. While Europe and Japan – despite the weakness of the yen – were able to grow, North America and Asia, where business is conducted primarily in US dollars, experienced a decline in sales.

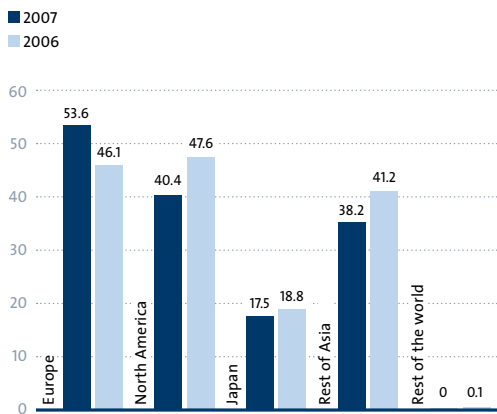
In **Europe**, SUSS MicroTec generated – against industry trends – 11.6% or € 5.0 million more sales than in 2006. Major contributing factors were increases for the Mask Aligner (+43.3%), Test Systems (+21.5%), and Cluster line orders from the LED and memory chip market. The Substrate Bonder line (-60.6%) registered the largest percentage sales decline in Europe: after € 3.3 million in 2006, only € 1.3 million in 2007. However, in 2006 there was an extraordinarily large single order (€ 1.3 million).

In **North America**, sales declined compared with 2006 by 13.6% to € 41.2 million. The increase for the Substrate Bonder line (34.6%) could not offset the decline for the Mask Aligner (-12.3%), Test Systems (-46.8%), and the Photo Mask (-28.6%) lines. The decline in these areas was caused by the same problems, which were already evident when the orders arrived: exchange rate developments and problems with an important customer.

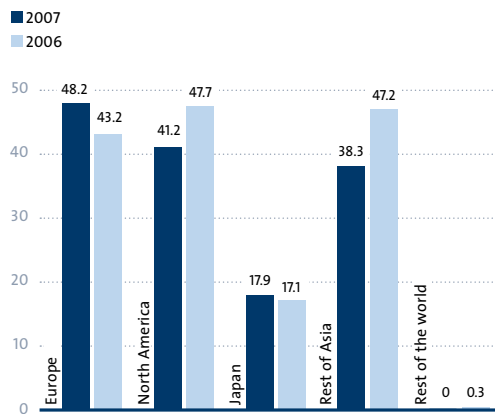
In **Japan**, sales rose by 4.7% or € 0.8 million to € 17.9 million, whereas Asia (excluding Japan) posted the largest decline, 18.9%. Notably, sales of the Mask Aligner product line expanded by 91.3% to € 19.9 million, whereas Coater sales shrank by 77.5% from € 24.9 million to € 5.6 million. This is probably the most significant change in all the sales and order entry figures. Most of all, in the first half of the year after the 2006 boom year, almost no Coater sales could be made in Asia. By contrast, in the second half of the year, and particularly in the fourth quarter, there were multiple new orders. However, they were not recorded as sales in 2007.



Order entry by region
in € million



Sales by region
in € million



Business development in the individual divisions

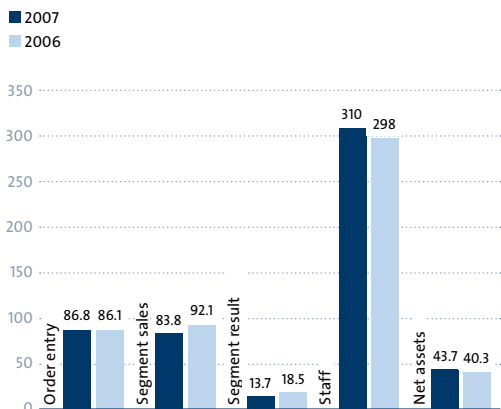
Lithography

The Lithography division includes the development, production, and marketing of the product lines Mask Aligner und Coater. The development and production locations of these two lines are in Germany in Garching near Munich and in Vaihingen an der Enz. In addition, important components of the sales organizations in North America and Asia are working for this division. Accounting for almost 60% of total sales, Lithography represents SUSS MicroTec Group's core business. The product lines target the microsystems technology (MEMS), compound semiconductor, and advanced packaging markets.

Despite overall weak business performance, Lithography was able to record a negligible increase in order entry in 2007. After a subdued first half of 2007, the Mask Aligner contributed strongly to growth in the third and particularly the fourth quarters. However, segment sales of € 83.8 million did not reach the previous year's level of € 92.1 million (-9.0%). The Coater was a major factor in this result since unfavorable exchange rate developments depressed its sales after an extremely strong 2006. Lower segment sales and the weak US dollar were reflected in segment earnings, which deteriorated by € 4.8 million (-25.9%) from € 18.5 million in the previous year to € 13.7 million. The gross profit margin increased from 45.9% in the previous year to 46.9%. The increase in segment assets (net) from € 40.3 million to € 43.7 million can be attributed primarily to significantly reduced customer prepayments. The average staff numbers rose during the 2007 fiscal year by 12 from 298 to 310.



Lithography segment overview
in € million and/or average annual employees



Substrate Bonder

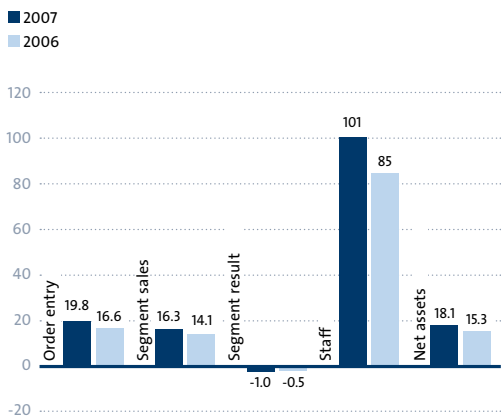
The SUSS MicroTec Substrate Bonder are developed and produced in the US town of Waterbury, Vermont. In addition to Waterbury, small units located in Europe and Asia handle sales and marketing. The fastest growing division of the SUSS MicroTec Group was able to increase its order entry in 2007 by 19.3% from € 16.6 million in the previous year to € 19.8 million. During the 2007 fiscal year, segment sales grew by € 2.2 million (+15.6%) to € 16.3 million (previous year: € 14.1 million).

Due to planned additional product introductions, the level of research and development intensity remains high. However, the segment result worsened from € -0.5 million in the previous year to € -1.0 million. The gross profit margin also declined during the 2007 fiscal year from 38.2% in the previous year to 31.3%. The increase in average staff numbers from 85 to 101 reflects sales growth. The segment assets (net) rose during the 2007 fiscal year from € 15.3 million to € 18.1 million as a result of capitalized development costs.

Device Bonder

The Device Bonder division, which is based in St. Jeoire, France, was sold to its previous management on July 16, 2007 in a management buyout (MBO). In addition to development and production, important components of the sales and marketing organization are located there. Due to the technical complexity and the small size of the market, there are no other significant sales organizations working for this division.

Substrate Bonder segment overview
in € million and/or average annual employees



Order entry for the Device Bonder division fell during the 2007 fiscal year by 62% to € 3.5 million (2006: € 9.2 million). The primary reason for this is the sale of the segment since order entries are recorded by SUSS MicroTec only through July 16, 2007. Segment sales, which due to the sale represented customer orders received by the closing date of July 16, 2007, declined by 9.9% from € 7.1 million to € 6.4 million. The discontinued division of the SUSS MicroTec Group achieved, as in the previous year, positive earnings of € 1.0 million (previous year: € 1.0 million). The staff numbers declined in the year under review by 18 from 43 employees to 25.

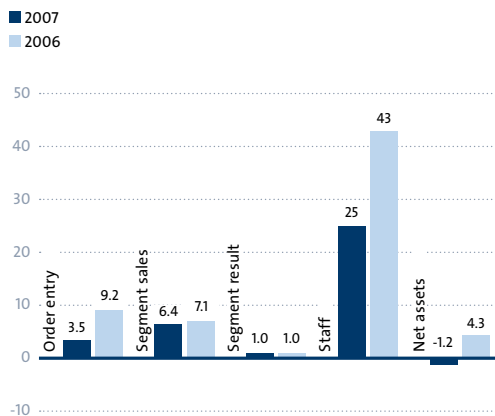
Test Systems

The Test Systems division, which is located in Sacka near Dresden, encompasses development, production, and the Europe-wide sales and marketing. Accounting for approximately one-fifth of the SUSS MicroTec Group's business volume, Test Systems represents the second largest division in the Group. Within the international sales organizations (North America, Asia), this division employs the most staff second only to Lithography.

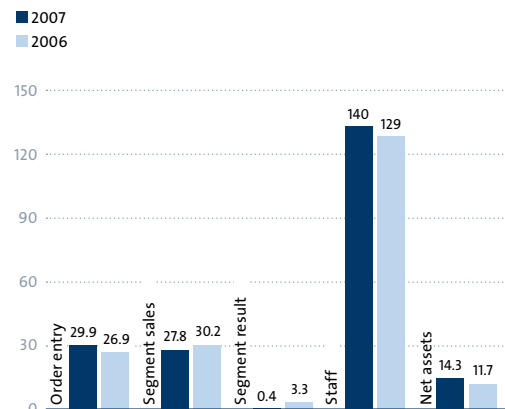
Order entry climbed during the 2007 fiscal year by 11.2% from € 26.9 million to € 29.9 million. The primary drivers were Opto-electronic and MEMS applications, where the SUSS MicroTec products "Blue Ray" and "Croy/Vacuum" applications are in demand along with the 300 mm "Probe Shield Device Characterization System." The latter, which was introduced at the SEMICON West trade fair (San Francisco, US), enables the highly precise measurement of new types of circuits built upon miniature structures and simultaneously offers optimum support to the operator.



Device Bonder segment overview
in € million and/or average annual employees



Test Systems segment overview
in € million and/or average annual employees



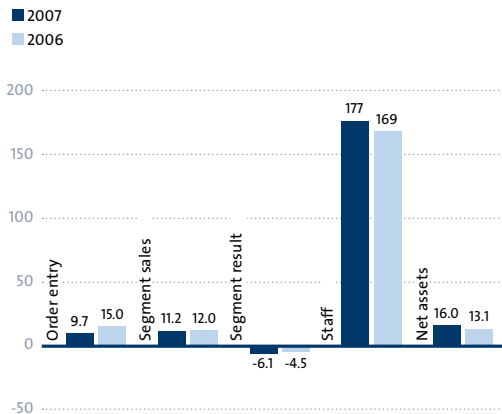
No growth could be achieved in sales. They achieved € 27.8 million from € 30.2 million in the previous year. Sales were impaired by unfavorable exchange rate development and concomitant pressure from competitors producing in the US dollar area. Segment earnings of € 0.4 million turned out much less positively than in the previous year (€ 3.3 million). This can be explained by a weaker gross profit margin as a result of sustained margin pressure, higher expenditures on sales and marketing in Asia, and higher costs for product development in the first half of the year. Particularly noteworthy in this context is the opening of an application and measurement technology center in Singapore. The staff numbers in the Test Systems division climbed by 11 employees to 140 (previous year: 129). The increase in segment assets (net) to € 14.3 million from € 11.7 million during the 2006 fiscal year can primarily be attributed to reduced customer prepayments.

Others

Along with the Mask business for the semiconductor industry (Palo Alto, California, USA), the Others division encompasses activities in micro-optics (Neuchâtel, Switzerland) and C4NP. The costs for central Group functions that cannot be attributed to the segments are also included here. Therefore, the negative segment result is primarily driven by expenses at the holding company level. Micro-optics was able to increase sales during the 2007 fiscal year by 6.1% to € 3.5 million. C4NP generated initial sales in 2007 of € 1.3 million. However, the sales contribution of the Mask business declined from € 8.7 million in the previous year to € 6.3 million. The increase in segment assets (net) is primarily attributable to capitalized development costs for C4NP of € 2.1 million.

Others segment overview

in € million and/or average annual employees



Earnings, Assets, and Financial Position

Earnings position

In 2007, EBITDA (earnings before interest, taxes, depreciation, and amortization), EBIT (earnings before interest and taxes), and annual net income (earnings after taxes) were once again clearly positive, even if results lagged behind the outstanding 2006. At the same time, the results underscore the sustainability of the turnaround achieved in 2006. Subdued demand particularly at the beginning of the concluded fiscal year and the related reduction in sales were responsible for the decline in earnings. Correspondingly, gross profit declined clearly by € 8.7 million from € 69.6 million to € 60.9 million.

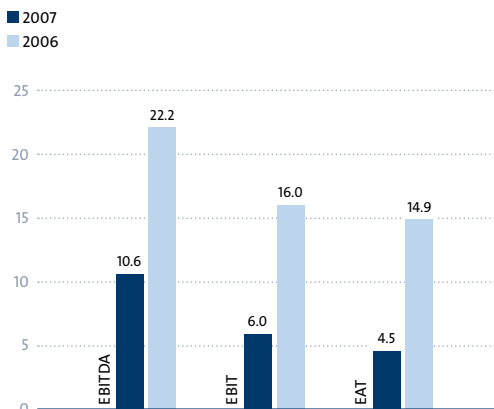
Along with lower utilization, the following factors were responsible for the decline:

- + Lower gross profit as a result of the development of the US dollar and Japanese yen exchange rates, particularly in the second half of the year
- + Additional costs for the C4NP production equipment to be delivered to IBM

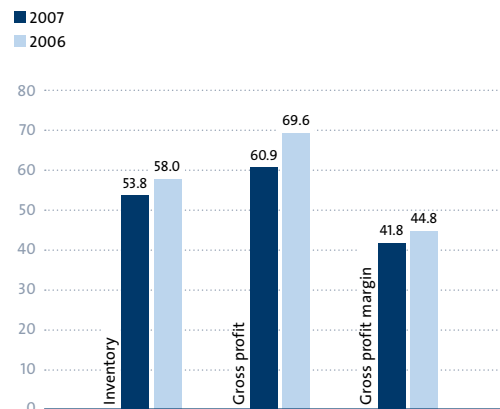
Inventory declined from € 58.0 million at the end of 2006 by 7.2% to € 53.8 million by the end of 2007. Without the sale of the Device Bonder division, there would have been a slight increase of € 0.5 million. Essentially, reduced inventory in the Test Systems division was balanced by an increase in the Lithography and Substrate Bonder divisions. Overall, inventory development is not satisfactory. In 2008, efforts to reduce inventories intensified. Particularly significant in this connection is the Group-wide introduction in 2008 and 2009 of the SAP enterprise resource planning (ERP) system, which will facilitate the thorough, Company-wide management of inventories for the first time.



Development of significant performance figures
in € million



Development of inventory and gross profit
in € million



Costs for administration and sales rose by € 1.7 million or 3.8% from € 45.1 million in the previous year to € 46.8 million. Meanwhile, administrative costs remained virtually unchanged at € 20.6 million, whereas sales costs rose by € 1.8 million to € 26.1 million.

Included in **other operating expense and income** are book losses on intra-Group foreign currency loans amounting to € 2.0 million (previous year: € 1.5 million), which arose from the weakening of the US dollar and the Japanese yen in 2007.

In the case of **tax expenses**, the use of value-adjusted loss carry-forwards had a positive effect on the tax rate. Added to this was a reinstatement of original values on previously carried out value adjustments of capitalized deferred tax assets. This was balanced by a revaluation of corresponding tax positions in accordance with the German Corporate Tax Reform Law of 2008. As a result of a surplus of capitalized deferred tax assets in Germany, there was an additional one-time non-cash effect for SUSS MicroTec Group of € 1.3 million.

In the end, the **Group annual result** was € 4.5 million (previous year: € 14.9 million). Earnings per share (basic) amounted to € 0.26 after € 0.88 in the previous year.

Net sales per employee declined by 2.9% compared to the previous year, from € 205,000 to € 199,000.

Financial position and net assets

Our goal always to maintain a sufficient short-term liquidity reserve for the operating business was also met without question in 2007. In addition to the inventory of cash in hand of € 20.1 million (previous year: € 20.5 million), the Group has credit lines amounting to a total of € 16.2 million, which are tied for the most part to financial covenants. The domestic credit line, which is part of a banking consortium, amounts to € 12 million and is secured in line with banking practice.

Liquidity development in 2007 was characterized by sharply reduced inflow from the operating business compared with the previous year. Cash flow from operations declined from € 14.4 million to € 1.5 million. As a result of an increase in investments from € 7.3 million to € 9.2 million, there was a negative free cash flow of € 7.7 million (previous year: positive € 7.2 million). However, there was a positive cash flow from financial operations of € 7.8 million. The primary reason for this was the assumption of a promissory note bond with a nominal value of € 9.0 million. Thus, deposits with banks could be held at the previous year's level.

The net cash position – the balance from cash resources and debts – deteriorated considerably during the course of the year. The positive balance already existing at the end of 2006 of € 14.7 million declined to € 7.6 million in 2007. However, the Group continues to have sufficient financial leeway for financing large product developments and other strategic activities.

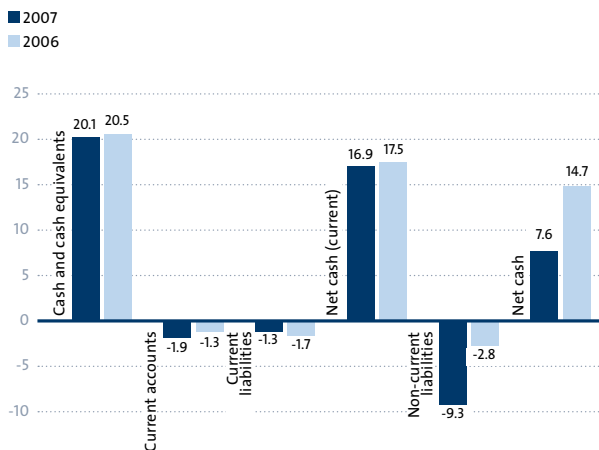
In addition to goodwill, capitalized research and development costs make up the bulk of long-term assets. Goodwill is allocated to Lithography (€ 13.6 million, previous year: € 13.6 million), Test Systems (€ 4.1 million, previous year: € 4.3 million), and the Mask business in the Others division (€ 4.3 million, previous year: € 4.8 million). The “Development costs” item rose from € 11.7 million in the previous year to € 16.2 million. Of this, the C4NP project with € 7.8 million (previous year: € 5.7 million) of capitalized development costs represents the single largest item. Respective capitalized development costs remain included amounting to € 2.9 million (previous year: € 2.9 million) for Lithography, € 5.1 million (previous year: € 2.9 million) for Substrate Bonder, and € 0.4 million (previous year: € 0.1 million) for Test Systems. In addition, residual book values of € 2.0 million (previous year: € 2.4 million) for acquired licenses and patents in the Lithography and Substrate Bonder divisions are included, as well as € 1.3 million (previous year: € 0.4 million) in the Others division. The increase in the latter is the result of the Company-wide introduction of the SAP ERP system begun in the fourth quarter.

The tangible fixed assets are of little significance for the assets position of the Group since it does not generally rely on cost-intensive production facilities. Tangible fixed assets changed only insignificantly, climbing from € 4.9 million in the previous year to € 5.0 million. Deferred tax claims rose during the fiscal year by € 1.3 million and amount to € 10.5 million as of the closing date.

In summary, apart from the increase in intangible assets, there were no material changes in long-term assets.



Development of cash in banks and debts
in € million



Within working capital, inventories declined from € 58.0 million to € 53.8 million. The decrease includes € 4.6 million from the sale of the Device Bonder division. Customer prepayments fell by € 6.7 million from € 21.0 million to € 14.3 million.

The equity ratio declined slightly from 63.0% in the previous year to 62.9%.

Summary statement on the economic position

In summary, during the 2007 fiscal year, SUSS MicroTec was able to demonstrate that it is able to remain clearly profitable in a difficult market environment. Both the operating results performance and the acceptance of a promissory note bond for € 9.0 million allow for a corporate strategy that concentrates on growth.

Investments

Due to the structure of the Company, investments in fixed assets are not a significant component of corporate development. The essential added value arises from the design, assembly, and adjustment of components and the respective software management. No special equipment or tools are needed for these activities.

We are assuming that investment in fixed assets will be within the range of approximately 2% to 3% of sales over the long term. The only exceptions to this are the Photo Mask and Micro-Optics product lines included in the Others division. Both cases will involve small-lot production, which will require appropriate production tools. Investments in these divisions will automatically result in a significant increase in investments in property, plant, and equipment within the Group.

The greater share of investments is to be allocated to intangible assets, since according to IFRS a mandatory capitalization exists when certain pre-conditions are met. The dominant project in 2007 was once again the further development of a commercial C4NP line, which consists of several tools, along with expansion of the product range in the Substrate Bonder division. We are operating on the assumption that for the long term, approximately 25% to 35% of the expenses for research and development will be capitalized and the remaining amount will be recorded as expenditure.

In the concluded fiscal year, the Company-wide introduction of the SAP ERP system was begun. Within the scope of this project, about € 6 million will be invested in software and hardware in 2008 and 2009.

The holding company – SUSS MicroTec AG

The holding company is responsible for the control and management of the SUSS MicroTec Group. It assumes, among other things, the tasks of strategic direction, such as the expansion of the product portfolio, acquisitions, and financial issues for the entire Group. The holding company is also responsible for corporate identity, investor relations, and marketing. In addition, the holding company takes over the financing of strategically important development projects of the operating subsidiaries. As was the case with C4NP, the holding company assumes the principal function to the extent that this appears reasonable for economic or other reasons.

SUSS MicroTec AG is, as a rule, the sole shareholder of the companies included in the consolidated financial statements. Loans by the holding company have been made only to subsidiaries. The earnings position of the holding company as sole company is not directly dependent on the development of our markets. The holding company refinances itself primarily through allocation of the allocable costs to the operating companies or income from license agreements from patents and rights.

Presentation of significant financial figures of the holding company:

Company in T€	SMT AG (German commercial law)			
	2007	2006	Change	in %
Annual loss/profit	-2,837	-1,922	-915	48%
Equity	96,177	98,364	-2,187	-2%
Total assets	112,141	108,565	3,576	3%
Equity ratio in %	86%	91%		
Fixed assets	84,406	70,021	14,385	21%
% of total assets	75%	64%		
Current assets	27,735	38,544	-10,809	-28%
% of total assets	25%	36%		

Significant changes in the asset and financial situation

The increase in loans to affiliated companies resulted primarily from the conversion of a short-term loan to Suss MicroTec Inc. into an open-ended credit line in the amount of € 21.0 million. The amount owed was partially offset by scheduled payments of € 7.8 million.

Short-term inter-company receivables declined by € 9.5 million. The decline in short-term receivables is primarily attributable to conversion of a short-term loan to Suss MicroTec Inc. into an open-ended credit line linked to the build-up of short-term receivables by the subsidiaries in Waterbury, USA and Japan.

Deposits with banks were reduced by € 1.5 million. This was primarily attributable to financing the C4NP development project.

Financial debt grew during fiscal year 2007, primarily reflecting the assumption of a promissory note bond with a nominal value of € 9.0 million. The promissory note bond has a term of five years, at the end of which it is due. Due to this loan, the Company is in the position to react more flexibly to cyclical fluctuations in the semiconductor industry.

The change in equity (€ -2.2 million) was caused by the net loss for the year (€ 2.8 million), partially offset by allocations to subscribed capital and to additional paid-in capital (in total € 0.6 million) due to exercised and existing stock options respectively.

Significant events with an impact on 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 fiscal year 2007 of € 2.8 million (previous year: € -1.9 million).

Based on the existing profit and loss transfer agreement with Suss MicroTec Test Systems GmbH, Sacka, € 0.04 million was recognized as a loss at the holding company (in the previous year, € 0.7 million was recognized as income at the holding company).

Other operating income primarily contains foreign currency gains of € 1.4 million (previous year: € 1.6 million).

Other operating expenses are characterized primarily by continued charges of development services amounting to € 2.2 million (previous year: € 2.5 million) as part of the C4NP project and by foreign currency losses amounting to € 3.4 million (previous year: € 2.6 million). Development costs for internally generated intangible assets are not being capitalized, in accordance with German Commercial Code (HGB).

Interest expenses decreased by only € 0.1 million during the fiscal year as the promissory note bond was placed in mid-December.

In the 2007 fiscal year, there were on average 17 employees at SUSS MicroTec AG (previous year: 17 employees, including the Management Board).

Along with its dependence on the exchange rate of the US dollar, the short-to-medium-term development of SUSS MicroTec AG depends primarily on the financial position and earnings of important subsidiaries and the C4NP project. The financial position and earnings of subsidiaries is decisive for the level of the interest-bearing net financing balance of the holding company and the distribution of profits to the parent Company. In addition, in the future SUSS MicroTec AG should participate in the success of the C4NP project, which is being developed by several subsidiaries on behalf of the holding company.

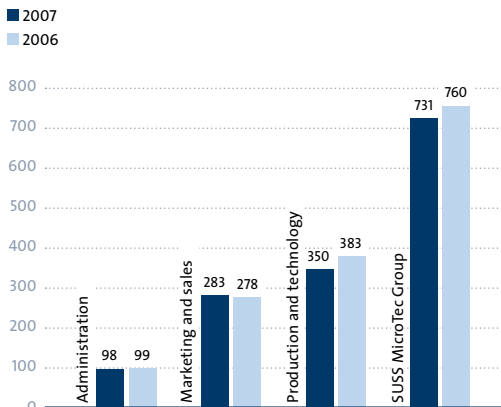
Employees in the Group

The employees and their expertise represent a significant portion of our Company's value. The training periods, in particular in the technical areas, are longer than one year due to the highly specific nature of our products. Thus, a motivating environment and a pay scale in line with performance are basic requirements for keeping existing employees and acquiring qualified new employees.

At the end of 2007, there were 731 employees (previous year: 760; -3.8%) working in the individual companies of the Group.



Development of staff numbers by division



Information in Accordance with § 315 Section 4 German Commercial Code (HGB)

The common stock of SUSS MicroTec AG in the amount of € 17,019,126 is divided into 17,019,126 no-par, ordinary voting shares. There are no distinct stock categories.

There are no restrictions regarding the voting rights or transfer of shares.

As of the balance sheet date, there are no direct or indirect equity interests in the capital of SUSS MicroTec AG that exceed 10% of voting rights. On February 22, 2008, Mr Tito Tettamanti informed us in accordance with § 21 Section 1 German Securities Trading Act (WpHG) that his voting rights share in SUSS MicroTec AG exceeded the 10% threshold on February 19, 2008 and totaled 10.34% as of this date. The voting rights assigned to him are being held by Sterling Strategic Value Limited, Tortola, British Virgin Islands, which is controlled by Mr Tettamanti.

There are no special rights of shareholders that grant authority to control. Under the existing stock option plans, employees hold a stake in the capital of the Company after exercising their options. The rights to control that accrue to them as a result of this are exercised immediately.

The provisions regarding the appointment and dismissal of Management Board members of SUSS MicroTec AG can be found in §§ 84 and following of the German Stock Corporation Act (AktG). The Articles of Association do not contain any other provisions regarding this matter. According to § 7 of the Articles of Association, the Supervisory Board shall determine the number of members of the Management Board. The Supervisory Board can also appoint a member of the Management Board to the position of Chief Executive Officer or spokesperson for the Management Board and another member to serve as Deputy Chairman.

Changes to the Articles of Association are governed by §§ 133, 179 German Stock Corporation Act (AktG). The authority to make changes to the Articles of Association, which pertain to the wording only, was delegated to the Supervisory Board in accordance with § 179 Section 1 Sentence 2 AktG.

By means of a resolution passed by the Shareholders' Meeting on June 16, 2004, the Management Board has been authorized to increase the capital stock of the Company with the approval of the Supervisory Board one time or several times by up to a total of € 6,022,358 by issuing up to 6,022,358 new individual share certificates for cash or non-cash contributions during the period extending to June 16, 2009. Shares of common stock and/or non-voting preferred stock may be issued. The Management Board shall be further authorized, with the approval of the Supervisory Board and in compliance with specific conditions, to exclude the subscription rights of the shareholders.

Risk Report

General and present-day risks to the Company arise from global activities in the field of high technology. The Management Board has taken appropriate measures for monitoring risks, in order to detect any developments that may jeopardize the continued existence of the SUSS MicroTec Group, in a timely manner.

General business risks and industry risks

Political and economic framework conditions

Our business environment is influenced by regional and global economic conditions. Numerous factors, such as global political conflicts including the situation in the Middle East and in other regions, continue to affect macro-economic conditions and the international capital markets. Uncertainties regarding the political and economic situation could reduce demand for our products and hinder our budgeting and forecasts.

Energy and commodity prices

Our Company is also exposed to fluctuations in energy and commodity prices. In particular, the prices for oil, steel, and copper have risen recently on a global scale. These price increases can have a negative effect on our earnings situation to the extent that it is not possible to pass on the higher costs to the customers or otherwise compensate for them.

Cyclical market fluctuations and market development

The difficulty of estimating the short-term and medium-term market development remains among the greatest risks of the Company. We counter these risks through lean structures, which can be adapted rapidly in case of weak business demand or can be expanded by outsourcing.

Market positioning

New technological developments of competitors could unexpectedly make parts of the product portfolio and thus parts of our potential obsolete, if new technologies were to offer faster, more efficient, or more beneficial solutions for the same problem. We confront this risk primarily through targeted research and development and through maintaining our development planning in tune with major customers.

Dependence upon individuals' expertise

In individual areas, the Company depends on the knowledge of individual employees, particularly in the field of research and development. If these employees are unavailable to the Group, this presents a corresponding risk, which is monitored by internal documentation obligations.

The age structure of overdue, but non-impaired receivables as of the balance sheet date was as follows (in € thousands):

Age analysis of overdue receivables without impairment

in T€	2007	2006
1 – 30 days	5,103	5,094
31 – 60 days	2,501	1,673
61 – 90 days	1,660	1,665
Overdue receivables without impairment	9,264	8,432

Overall, as of the balance sheet date € 1.5 million (previous year: € 2.0 million) of the gross inventory of receivables were overdue and impaired. The age structure of the overdue and impaired receivables as of the balance sheet date and the previous year's balance sheet date is shown in the following table (in € Thousands):

Age analysis of overdue receivables with impairment

in T€	2007	2006
91 – 180 days	616	1,138
181 – 360 days	784	798
> 360 days	60	113
Overdue receivables with impairment	1,460	2,049

Additional information about the determination of value adjustments for accounts receivable can be found in the Notes.

Liquidity risks

A negative development of the capital markets would increase our financing costs and restrict our financial flexibility. Current developments in the US mortgage market are having a worldwide effect on the capital markets. Such developments may restrict our external financing opportunities. Minimizing the dependence on short-term outside capital, in particular, should keep any potential financing risk low. We confront this risk primarily by trying to keep the portion of outside capital at a low level through corresponding cash flows from the optimization of working capital. Additional details on the liquidity situation of the Company can be found in the Notes (25).

Market price risks

Market price fluctuations can pose significant cash flow and profit risks to the Company. Changes in foreign currency exchange rates and interest rates influence worldwide business operations as well as investment and financing alternatives.

Due to its international orientation, SUSS MicroTec is exposed to foreign exchange risk in the course of normal business activities. The US dollar, in particular, has a significant impact on the earnings position of the Group. The pro rata value added in the United States should therefore be continuously increased, in order to generate added value that is appropriate for the share of sales in this currency region. The hedging of foreign exchange risks is based on existing orders in foreign currencies. For orders, which will be delivered within 3 or 6 months, the hedging ratio is approximately 65% or 45%, respectively. In addition, a base volume is hedged for a period of 12 months. The hedging is done by forward exchange dealings. For further details, reference is made to the Notes (31).

Foreign exchange sensitivity is determined by aggregating the foreign exchange positions of the operating business and the Group treasury. Foreign currency risks are calculated on the basis of a simulation of a 10% depreciation of all foreign currencies vis-à-vis the euro. This simulated depreciation would have led to a reduction in the euro-equivalent value of € 11,000 (previous year: € 288,000) and a corresponding reduction in annual net income.

The following tables show the composition of foreign currency exposure and the effects on annual net income as of the balance sheet data and the previous year's balance sheet date (in € thousands):

in T€	2007		
	USD	JPY	Total
Cash and cash equivalents	388	167	555
Accounts receivable	1,864	277	2,141
Accounts payable	-1,431	-62	-1,493
Customer prepayments	-1,082	0	-1,082
Net exposure	-261	382	121
Effect of a 10% appreciation of the euro on annual net income	24	-35	-11

in T€	2006		
	USD	JPY	Total
Cash and cash equivalents	1,045	761	1,806
Accounts receivable	1,727	363	2,090
Accounts payable	-214	-75	-289
Customer prepayments	-137	0	-137
Net exposure	2,421	1,049	3,470
Effect of a 10% appreciation of the euro on annual net income	-220	-95	-315

The interest rate risk of the Company is limited since the variable components of the promissory note bond placed during the fiscal year are hedged by term-congruent interest rate swaps. Thus, the initial variable conditions are converted into fixed conditions.

All additional material financial debts of SUSS MicroTec are based on loan contracts with fixed interest rates and therefore are not subject to any interest rate risk.

Overall risk

No risks that would endanger the continued existence of the Company were identified in the 2007 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity standpoint. The current equity available was well above the risk-adjusted capital, which represents the minimal equity interest that must be reserved to cover potential losses.

Risk management system

For the purpose of detecting and controlling risks, as well as to meet legal requirements (KonTraG – German Corporate Segment Supervision and Transparency Act), the risk management system has long been a component of corporate management.

In addition to short-term (operating) risks, risk management at SUSS MicroTec also concerns itself with long-term (strategic) developments, which could have a negative impact on business development. On the basis of an opportunity-oriented, but also risk-conscious management, it is not our goal to avoid all potential risks categorically. Instead, we are always interested in achieving an optimum level of risk avoidance, risk reduction, and controlled risk acceptance. An awareness of risks should not have a negative impact on the capacity to recognize opportunities and use them for the good of the Company and its shareholders.

Prognosis Report

After a reversal in the 2007 fiscal year characterized by lower sales, we expect a moderately positive development in 2008 contrary to general trends in the semiconductor market. SUSS MicroTec is looking confidently at the development of certain niche markets of interest to the Group, which can achieve growth above the normal market curve. Risks primarily involve macroeconomic factors: specifically, an economic downturn in the US as a result of the real estate crisis would influence all of the niche markets relevant to SUSS MicroTec, particularly the sector of the chip industry associated with consumer electronics. However, the Olympic Games in Beijing could serve as a positive catalyst for economic growth and for the semiconductor and semiconductor equipment market throughout Asia. The US is holding presidential elections in the fall, which could trigger a recovery and strengthening of the US dollar. At least historically, that has been often observed.

Both exogenous and endogenous factors will influence SUSS MicroTec's performance in 2008 and beyond. In this forecast, we will briefly explain the factors that we as well as leading industry observers see as vital to the success of our Company.

The semiconductor industry

After a good year for the chip industry in 2007, when a high level of growth of 4% was achieved, an even better 2008 is expected, for which the growth forecasts of five leading market research institutes as of the turn of the year 2007/2008 average to 8%. Here, consumer electronics is playing an important role, including the introduction of digital television across the entire United States. However, strong volume growth in memory chip components was accompanied by a sharp decline in price for such components.

The semiconductor equipment industry

In the opinion of leading market research institutes, the positive sentiment in the chip industry will not translate into readiness to invest in equipment in 2008. The 8% growth in sales in semiconductor equipment in 2007 exceeded the underlying sales of the chip industry. In 2007, above all the manufacturers of memory chip components enjoyed a high level of investment, but in 2008 lower prices for these chips will lead to an unavoidable decline in orders for the tool industry from these manufacturers. As of the turn of the year 2007/2008, the forecasts of market researchers ranged from -5.2% (VLSI) to -10.6% (iSuppli) with a mean value of -9.0%. However, in evaluating these numbers one should take into account that they reflect markets that are vital to large front end-oriented manufacturers such as Applied Materials or ASML.

SUSS MicroTec, however, is scarcely involved in the traditional front end of chip manufacturers, but rather operates as an innovative, specialized tool manufacturer primarily for the MEMS, advanced packaging, and compound semiconductor niche markets. There are few forecasts for these niche markets.

Expected development in the major markets

The microsystems technology (MEMS) market

Yole Développement, a leading research institute in the MEMS field, is predicting a 13% CAGR for MEMS with expected sales of USD 10.8 billion in 2011. Approximately 40% of sales by SUSS MicroTec are attributable to the MEMS market, which is relatively small, but is growing consistently and without the types of cycles that characterize the semiconductor industry.

Another strong driver for microsystems technology is the automotive sector, where safety solutions like the Electronic Stability Program (ESP) are becoming part of the product portfolio of manufacturers. The markets for inkjet heads and projection systems are also clearly contributing to the growth of the entire segment, but their growth is limited by a high degree of saturation and price pressures.

Currently, the markets for silicon microphones and RF (radio frequency) MEMS are recording the fastest rates of growth – in supporting safety solutions in the automotive branch, industrial and medical device applications, and consumer products such as navigation systems.

Growth rates of the MEMS markets

in USD million	2006	2007	2008	2009	2010	2011	CAGR
Inkjet heads	1,663	1,735	1,872	1,949	1,963	2,042	4%
Pressure sensors	1,028	1,103	1,093	1,147	1,208	1,275	4%
Silicon microphones	117	169	245	309	365	442	31%
Accelerometers	652	779	815	936	1,158	1,403	17%
Gyroscopes	616	713	795	853	881	918	8%
MOEMS (incl. DMDs)	466	563	615	741	835	949	15%
MEMS microdisplays	886	939	986	1,081	1,226	1,336	9%
Microfluidics	397	415	595	716	796	856	17%
RF MEMS	127	159	230	370	603	829	45%
Micro fuel cells	0	0	1	26	65	104	153%
Emerging MEMS	0	0	50	238	431	628	263%
Total (USD million)	5,951	6,574	7,298	8,366	9,533	10,783	13%

Source: Yole Développement SARL, 2007

It is clear that the consumer products area will grow at an above-average rate until 2010 in comparison with the MEMS markets in medical devices, industry, and the automotive branch. Above all, demand in the communications and consumer electronics sector for multiple, integrated device functions should provide a strong catalyst. On the supply side, manufacturers are responding to stronger demand with new products. Thus, for example, rotary rate sensors and multi-axle acceleration sensors (gyroscopes) as instruments for stabilizing camera modules represent an additional lucrative function expansion for portable electronic devices such as cellular telephones.

For new applications such as micro fuel cells, CAGR substantially greater than 100% and a market share of 7% by 2011 are forecast. In the coming years, the MEMS market will be clearly influenced by innovation in this area.

SUSS MicroTec is addressing the demands of the growing MEMS market with its specialized technologies in wafer bonding, mask alignment, coating, and testing, which are vital for the production of MEMS components. This explains the immensely strong position of SUSS MicroTec in this area. In addition, due to product variety there are numerous MEMS manufacturers, so that a broad customer base exists and sales can also be made with new customers if an existing customer does not invest due to already having sufficient capacity.

However, the equipment market is growing more slowly than the MEMS market itself since more and more MEMS components can be produced with fewer and fewer machines. Researchers from Yole Développement SARL are forecasting that the market for production equipment for MEMS manufacturing will achieve a CAGR of 9.1% from 2006 to 2011. The total volume should reach approximately USD 837 million in 2009 and then in 2011 USD 1 billion. Growth is coming from such diverse areas as the bonding, testing, and packaging of MEMS.

Each of these niche markets is dominated by a few companies, whereby SUSS MicroTec is the market leader in Lithography tools and number two in Wafer Bonder tools. Overall, the MEMS market accounts for approximately 40% of all of the SUSS MicroTec Group's sales.

Advanced packaging

For the advanced packaging market as a whole, the research institute Prismark is forecasting an increase in the number of bumped wafers from 10 to 24.5 million during the period 2006 to 2011, representing a CAGR of 17%. Although the number of bumped 200-mm wafers should increase by approximately 2.7 million per year, a proportional increase in demand for corresponding equipment cannot be assumed. Gartner Dataquest predicts a decline of -6.6% for wafer level packaging equipment in the first quarter of 2008, followed by growth of +12.2% in 2009. The market research institute Yole Développement expects growth in advanced packaging to come primarily from 3D packaging. Thus, for example, in the flash memory area an expansion of production should result from the greater capacities of the new memory sticks.

Based on its customer relationships with well-known flash memory manufacturers, SUSS MicroTec anticipates interesting sales opportunities in the market in the next few years. Contact image sensor (CIS) modules are finding increasing application in high-tech devices in communication and consumer electronics and thus are a growth driver in the 3D area.

Compound semiconductor market

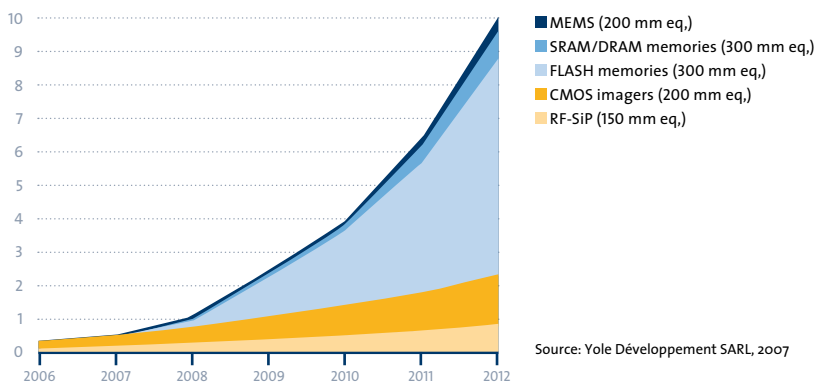
The market for compound semiconductors is highly diversified and therefore difficult to assess. However, there are clearly identifiable growth drivers, such as light-emitting diodes (LED). In comparison to conventional light sources, LEDs save space and have an extremely long service life, which in view of the current climate debate represents an increasingly profound argument and should trigger numerous new developments in the LED market. Thus, the company Osram Opto Semiconductors, which has more than 3,000 patents for optoelectronic semiconductors, won the Best Innovator Award 2007 for its continuous innovation. Osram relies on high-quality tools from SUSS MicroTec for its LED product line and recently renewed its partnership SUSS MicroTec.

Endogenous indicators

Along with the condition of the markets, the innovation potential of our product line is critical to our success. We know from experience that temporary weakness at the chip manufacturers can be at least partially offset by orders from research customers. We are planning significant product introductions specifically for this market in 2008. In addition, we believe that in 2008 our new developments for 3D integration, wafer level redistribution, nano-imprinting, and other applications will attract the interest of chip manufacturers, who will gradually integrate these new processes in their manufacturing.



Growth of the advanced packaging market
in million wafer per year



Statement on the Projected Development of the Group

For the Group as a whole, we are aiming for an average growth rate of 10% in sales over the next three to five years. After a reversal in the 2007 fiscal year characterized by lower sales, we expect a moderately positive development in 2008 contrary to general trends in the semiconductor market. Against this background, we expect – despite the sold Device Bonder division – to be able to achieve sales at least at the level of 2007.

Through economies of scale, improved manufacturing processes, and new products, we anticipate maintaining the gross profit margin of 2007 despite sustained dollar weakness.

We expect that the operating business should generate sufficient cash flow so that no additional liquidity needs arise for the organic growth of the base business.

Forward-looking Statements

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

Garching, Germany, March 10, 2008

The Management Board

Dr. Stefan Schneidewind
Chief Executive Officer (CEO)

Michael Knopp
Chief Financial Officer (CFO)

+ + Consolidated Financial Statements +

Consolidated Statement of Income (IFRS)

in T€	Notes	01/01/2007 – 12/31/2007	
		Continuing operations	Discontinued operations
Sales	(3)	139,155	6,399
Cost of sales	(4)	-80,878	-3,786
Gross profit		58,277	2,613
Selling costs		-24,989	-1,155
Research and development costs		-6,970	-155
Administration costs		-20,258	-389
Other operating income	(5)	4,382	0
Other operating expenses	(6)	-5,381	-12
Analysis of net income from operations (EBIT):			
EBITDA (Earnings before interest, taxes, depreciation and amortization)		9,719	907
Depreciation and amortization of tangible assets, intangible assets, and investments in subsidiaries	(10)	-4,658	-5
Net income from operations (EBIT)		5,061	902
Financial income/expense	(7)	-205	-89
Income before taxes		4,856	813
Income taxes	(8)	-1,150	0
Net profit or loss		3,706	813
Thereof minority interests		114	0
Thereof equity holders of SUSS MicroTec		3,592	813
Earnings per share			
Basic earnings per share in €	(9)	0.21	0.05
Diluted earnings per share in €	(9)	0.20	0.05



01/01/2006 – 12/31/2006

Group	Continuing operations	Discontinued operations	Group
145,554	148,406	7,085	155,491
-84,664	-82,691	-3,156	-85,847
60,890	65,715	3,929	69,644
-26,144	-22,492	-1,857	-24,349
-7,125	-6,658	-372	-7,030
-20,647	-20,044	-660	-20,704
4,382	1,431	1	1,432
-5,393	-2,959	0	-2,959
10,626	20,960	1,211	22,171
-4,663	-5,967	-170	-6,137
5,963	14,993	1,041	16,034
-294	-309	-112	-421
5,669	14,684	929	15,613
-1,150	-782	82	-700
4,519	13,902	1,011	14,913
114	114	0	114
4,405	13,788	1,011	14,799
0.26	0.82	0.06	0.88
0.25	0.81	0.06	0.87

LIABILITIES & SHAREHOLDERS' EQUITY in T€	Notes	12/31/2007	12/31/2006
Equity		102,568	99,155
Total equity attributable to shareholders of SUSS MicroTec AG		102,291	98,992
Subscribed capital	(22)	17,019	17,007
Reserves	(22)	87,383	82,339
Accumulated other comprehensive income	(22)	-2,111	-354
Minority interests		277	163
Non-current liabilities		19,309	11,787
Pension plans and similar commitments	(23)	2,738	2,596
Provisions	(24)	737	586
Financial debt	(25)	9,255	2,677
Other financial liabilities	(26)	51	195
Deferred tax liabilities	(8)	6,528	5,733
Current liabilities		41,253	46,333
Provisions	(27)	2,922	5,030
Tax liabilities	(30)	2,213	1,338
Financial debt	(25)	3,184	3,116
Other financial liabilities	(28)	4,089	3,185
Accounts payable		8,828	6,418
Other liabilities	(29)	20,017	27,246
Balance sheet total		163,130	157,275

Consolidated Statement of Cash Flows (IFRS)

in T€	01/01 – 12/31/2007	01/01 – 12/31/2006
Net profit or loss (after taxes)	4,519	14,913
Amortization of intangible assets	3,129	3,700
Depreciation of tangible assets	1,534	2,437
Profit or loss on disposal of assets and liabilities of discontinued operations	98	0
Profit or loss on disposal of intangible and tangible assets	333	202
Change of reserves on inventories	1,540	1,526
Change of reserves for bad debts	-579	-10
Non-cash stock based compensation	619	403
Non-cash income from the reversal of provisions	-773	-417
Non-cash interest expenses from increase of convertible debt	20	127
Other non-cash effective income and expenses	2,090	2,400
Change in inventories	-4,453	-8,009
Change in accounts receivable	-2,988	-1,290
Change in other assets	-718	-796
Change in pension provisions	182	67
Change in accounts payable	2,818	1,368
Change in other liabilities and other provisions	-5,429	-1,544
Change of deferred taxes	-472	-664
Cash flow from operating activities – continuing and discontinued operations	1,470	14,413
Cash flow from operating activities – continuing operations	3,329	11,127

in T€	01/01 – 12/31/2007	01/01 – 12/31/2006
Disbursements for tangible assets	-2,514	-2,291
Disbursements for intangible assets	-8,605	-4,968
Proceeds from disposal of intangible and tangible assets	6	9
Proceeds from non-current assets held for sale	1,956	0
Cash flow from investing activities – continuing and discontinued operations	-9,157	-7,250
Cash flow from investing activities – continuing operations	-11,103	-7,196
Increase of bank loans	8,910	398
Repayment of bank loans	-1,503	-7,374
Repayment of convertible bond	0	-3,622
Change in current bank liabilities	591	-2,314
Change in other financial debt	-191	-127
Proceeds from issuance of common stocks	32	711
Cash flow from financing activities – continuing and discontinued operations	7,839	-12,328
Cash flow from financing activities – continuing operations	7,951	-11,520
Adjustments to funds caused by exchange-rate fluctuations	-519	-701
Change in cash and cash equivalents	-367	-5,866
Funds at beginning of the year	20,459	26,325
Funds at end of the period	20,092	20,459
Cash flow from operating activities includes:		
Interest paid during the period	331	862
Interest received during period	522	522
Tax paid during the period	1,138	1,132
Tax refunds during the period	342	0

Consolidated Statement of Shareholders' Equity (IFRS)

in T€	Subscribed capital	Additional paid-in capital
As of January 1, 2006	16,793	90,673
Issuance of shares: Exercise of stock options	214	497
Issuance of subscription rights		403
Net profit or loss		
Unrealized loss from securities, net of tax		
Foreign currency adjustment		
As of December 31, 2006	17,007	91,573
As of January 1, 2007	17,007	91,573
Issuance of shares: Exercise of stock options	12	20
Issuance of subscription rights		619
Net profit loss or loss		
Unrealized loss from securities, net of tax		
Foreign currency adjustment		
As of December 31, 2007	17,019	92,212

Earnings reserve	Retained earnings	Accumulated other comprehensive income	Total equity attributable to shareholders of SUSS MicroTec AG	Minority interests	Equity
433	-24,466	683	84,116	49	84,165
			711		711
			403		403
	14,799		14,799	114	14,913
		-31	-31		-31
		-1,006	-1,006		-1,006
433	-9,667	-354	98,992	163	99,155
433	-9,667	-354	98,992	163	99,155
			32		32
			619		619
	4,405		4,405	114	4,519
		63	63		63
		-1,820	-1,820		-1,820
433	-5,262	-2,111	102,291	277	102,568

Fixed Asset Movement Schedule (2007)

in T€	Acquisition and manufacturing costs					12/31/2007
	01/01/2007	Translation adjustment	Additions	Reclassifications	Disposals	
I. Intangible assets						
1. Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets	16,629	-291	1,755	0	114	17,979
2. Development costs	19,647	-697	6,850	0	0	25,800
3. Capitalized leased property software	154	-8	0	0	0	146
	36,430	-996	8,605	0	114	43,925
II. Goodwill	37,137	-765	0	0	0	36,372
III. Tangible assets						
1. Land, buildings, fixtures	6,051	-208	139	259	2,660	3,581
2. Technical equipment and machinery	10,397	-894	736	-23	594	9,622
3. Other equipment, office and plant furnishings	10,577	-229	1,356	23	808	10,919
4. Motor vehicles	482	-4	73	0	43	508
5. Facilities under construction	159	-8	132	-259	0	24
6. Capitalized leased property						
Land, buildings, fixtures	280	-34	78	0	0	324
Technical equipment and machinery	1,320	-32	0	0	494	794
Other equipment, office and plant furnishings	1,144	-11	0	0	379	754
	30,410	-1,420	2,514	0	4,978	26,526
IV. Financial assets						
1. Investments in associated companies, at equity	2,095	0	0	0	0	2,095
2. Other investments	173	0	0	0	0	173
	2,268	0	0	0	0	2,268

Depreciation and amortization

Net book values

01/01/2007	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2007	12/31/2006	12/31/2007
13,796	-240	1,239	0	108	14,687	2,833	3,292
7,968	-247	1,888	0	0	9,609	11,679	16,191
152	-8	2	0	0	146	2	0
21,916	-495	3,129	0	108	24,442	14,514	19,483
14,411	0	0	0	0	14,411	22,726	21,961
5,005	-170	248	0	2,188	2,895	1,046	686
9,140	-793	245	0	474	8,118	1,257	1,504
8,782	-195	826	0	745	8,668	1,795	2,251
420	-5	29	0	39	405	62	103
0	0	0	0	0	0	159	24
70	-13	97	0	0	154	210	170
928	-22	84	0	485	505	392	289
1,117	-11	5	0	379	732	27	22
25,462	-1,209	1,534	0	4,310	21,477	4,948	5,049
2,095	0	0	0	0	2,095	0	0
168	0	0	0	0	168	5	5
2,263	0	0	0	0	2,263	5	5

Fixed Asset Movement Schedule (2006)

in T€	Acquisition and manufacturing costs					12/31/2006
	01/01/2006	Translation adjustment	Additions	Reclassifications	Disposals	
I. Intangible assets						
1. Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets	16,678	-158	130	9	30	16,629
2. Development costs	15,550	-577	4,838	0	164	19,647
3. Capitalized leased property software	173	-19	0	0	0	154
	32,401	-754	4,968	9	194	36,430
II. Goodwill	37,971	-834	0	0	0	37,137
III. Tangible assets						
1. Land, buildings, fixtures	6,102	-237	193	0	7	6,051
2. Technical equipment and machinery	10,436	-948	946	-20	17	10,397
3. Other equipment, office and plant furnishings	10,649	-285	844	41	672	10,577
4. Motor vehicles	566	-16	27	-14	81	482
5. Facilities under construction	71	-2	106	-16	0	159
6. Capitalized leased property						
Land, buildings, fixtures	127	-22	175	0	0	280
Technical equipment and machinery	1,375	-55	0	0	0	1,320
Other equipment, office and plant furnishings	1,161	-17	0	0	0	1,144
	30,487	-1,582	2,291	-9	777	30,410
IV. Financial assets						
1. Investments in associated companies, at equity	2,095	0	0	0	0	2,095
2. Other investments	201	0	0	0	28	173
	2,296	0	0	0	28*	2,268

*) Concerns changes in the scope of consolidation

Depreciation and amortization

Net book values

01/01/2006	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2006	12/31/2005	12/31/2006
12,617	-128	1,344	-9	28	13,796	4,061	2,833
5,977	-335	2,326	0	0	7,968	9,573	11,679
139	-17	30	0	0	152	34	2
18,733	-480	3,700	-9	28	21,916	13,668	14,514
14,411	0	0	0	0	14,411	23,560	22,726
4,871	-194	328	0	0	5,005	1,231	1,046
8,832	-867	1,156	19	0	9,140	1,604	1,257
8,935	-199	722	-21	655	8,782	1,714	1,795
494	-33	25	11	77	420	72	62
0	0	0	0	0	0	71	159
21	-5	54	0	0	70	106	210
822	-41	147	0	0	928	553	392
1,128	-16	5	0	0	1,117	33	27
25,103	-1,355	2,437	9	732	25,462	5,384	4,948
2,095	0	0	0	0	2,095	0	0
168	0	0	0	0	168	33	5
2,263	0	0	0	0	2,263	33	5

Segment Reporting (IFRS)

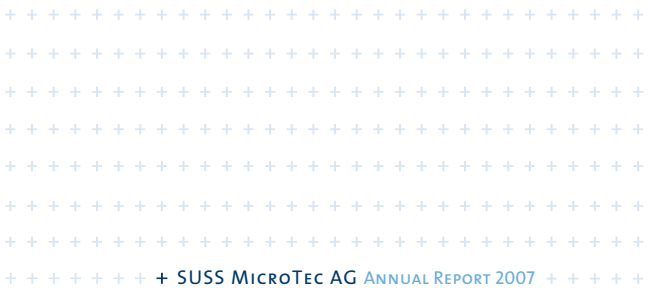
Segment information by business segment

in T€	Lithography		Substrate Bonder		Test Systems	
	2007	2006	2007	2006	2007	2006
External sales	83,836	92,078	16,313	14,124	27,810	30,194
Internal sales	0	0	0	0	0	0
Total sales	83,836	92,078	16,313	14,124	27,810	30,194
Result per segment	13,666	18,486	-954	-508	395	3,251
Significant non-cash items	-1,148	-1,083	-383	-90	-216	426
Segment assets	62,647	59,698	24,044	21,560	18,535	17,708
- thereof goodwill	13,599	13,599	0	0	4,060	4,317
Unallocated assets						
Total assets						
Segment liabilities	-18,908	-19,429	-5,917	-6,286	-4,237	-6,008
Unallocated liabilities						
Total liabilities						
Depreciation and amortization	2,721	3,138	1,173	1,081	324	308
- thereof scheduled	2,721	3,138	1,173	1,081	324	308
- thereof impairment loss	0	0	0	0	0	0
Capital expenditure	2,192	1,848	4,425	1,584	740	239
Average workforce during the year	310	298	101	85	140	129

Segment information by region

in T€	Sales		Capital expenditure		Assets	
	2007	2006	2007	2006	2007	2006
Europe	48,173	43,225	5,498	4,183	79,779	78,196
North America	41,154	47,684	4,893	2,700	39,499	42,594
Japan	17,867	17,098	209	103	6,254	3,329
Rest of Asia	38,329	47,170	277	80	734	579
Rest of world	31	314	242	193	2,411	2,345
Consolidation effects	0	0	0	0	-2,852	-3,647
Total	145,554	155,491	11,119	7,259	125,825	123,396

Others		Continuing operations		Discontinued operations		Consolidation effects		Total	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
11,196	12,010	139,155	148,406	6,399	7,085	-	-	145,554	155,491
6,072	5,065	6,072	5,065	0	0	-6,072	-5,065	0	0
17,268	17,075	145,227	153,471	6,399	7,085	-6,072	-5,065	145,554	155,491
-6,119	-4,545	6,988	16,684	902	1,042	-	-	7,890	17,726
-2,212	-405	-3,959	-1,152	233	-350	-	-	-3,726	-1,502
20,365	17,166	125,591	116,132	234	7,264	-	-	125,825	123,396
4,302	4,810	21,961	22,726	0	0	-	-	21,961	22,726
								37,305	33,879
								163,130	157,275
-4,360	-4,031	-33,422	-35,754	-1,399	-2,918	-	-	-34,821	-38,672
								-25,741	-19,448
								-60,562	-58,120
440	1,440	4,658	5,967	5	170	-	-	4,663	6,137
440	1,440	4,658	5,967	5	170	-	-	4,663	6,137
0	0	0	0	0	0	-	-	0	0
3,753	3,534	11,110	7,205	9	54	-	-	11,119	7,259
177	169	728	681	25	43	-	-	753	724



++ Notes



to the consolidated financial statements according to IFRS for 2007

(1) Description of business activity

SUSS MicroTec AG (the “entity” or “company”), domiciled at D-85748 Garching, Schleissheimer Str. 90, and its subsidiaries constitute an international entity that manufactures and distributes products using microsystems technology and microelectronics. Production is at facilities in Garching, Sacka, and Vaihingen in Germany, Waterbury and Palo Alto in the USA, Neuchatel in Switzerland and was, until July 2007, also at Saint Jeoire in France. The products are distributed via the production facilities themselves and through distribution companies in the United Kingdom, Japan, Thailand, Singapore, Taiwan, and China. In countries in which the Group does not have offices of its own, distribution is organized through trade representatives.

(2) Summary of the principal accounting principles

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) approved and published by the International Accounting Standards Board (IASB) which are mandatory in the European Union. The requirements of the IFRS 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.

Due to the first-time adoption of IFRS 7 Financial Instruments: Disclosures, the company shows other financial assets and liabilities for the first time. The presentation of the prior year was changed accordingly.

b) 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:

IFRIC 11, IFRS 2: Group and Treasury Share Transactions

On November 2, 2006 the International Financial Reporting Interpretations Committee (IFRIC) issued the interpretation IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. The interpretation addresses the question of how groupwide share-based remuneration should be accounted for, what effects employee changes have within the Group, and how share-based remuneration must be treated when the entity issues treasury shares or must acquire shares from a third party.

IFRIC 11 is to be applied for financial years beginning on or after March 1, 2007.

SUSS MicroTec AG does not expect any effects from the initial application in the financial year 2008.



IFRS 8: Segment Reporting

In accordance with IFRS 8, the segment reporting has been changed from the “risk and reward approach” set out in IAS 14 to the management approach with regard to the segment identification. The relevant information here is that which is regularly made available to the chief operating decision-maker for decision-making purposes. Simultaneously, the measurement of the segments has been changed from the financial accounting approach set out in IAS 14 to the management approach.

IFRS 8 is mandatory for financial years beginning on or after January 1, 2009. Earlier application is permitted.

On its initial application by SUSS MicroTec AG, IFRS 8 will lead to changes in the disclosures made in the segment reporting.

IFRIC 12: Service Concession Arrangements

On November 30, 2006, the International Financial Reporting Interpretations Committee (IFRIC) published the interpretation IFRIC 12: Service Concession Arrangements. The interpretation addresses the accounting treatment of service agreements at entities that offer services such as the construction of roads, airports, prisons, or energy infrastructure on behalf of regional corporations. Whereas control of the assets remains in the public domain, the entity is contractually responsible for construction, operation, and maintenance.

IFRIC 12 deals with how entities should account for the rights and obligations arising from such contracts. The interpretations distinguish two kinds of service agreements:

- (a) The entity obtains an unconditional claim to payment of funds or some other financial compensation from the public body, this claim giving rise to a financial asset. This asset represents consideration for the rendering of a public service, and in particular for the construction of or a significant improvement in an asset.
- (b) The entity obtains the right to charge the users a fee. In this case the entity obtains an intangible asset with regard to the commercial operation of the facilities offered publicly.

This interpretation, that has not yet been adopted by the EU, is mandatory for financial years beginning on or after January 1, 2008.

SUSS MicroTec AG does not expect any effects from the initial application in the financial year 2008.

Amendments to IAS 23: Borrowing Costs

The significant amendment that was published by IASB in March 2007 involves cancellation of the option of recording costs of outside capital directly as expense that can be allocated to the acquisition, construction or manufacture of a qualifying asset. A qualifying asset exists in this case if a considerable period of time is required to put the asset in its intended usable or saleable condition. Entities must therefore in future capitalise such costs of outside capital as a part of the acquisition costs of the qualifying assets.

This standard, which has not yet been adopted by the EU, is applicable to costs of outside capital for qualifying assets whose initial time of capitalisation is on or after January 1, 2009.

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

IFRIC 13: Customer Loyalty Programmes

On June 28, 2007, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 13: Customer Loyalty Programmes. This interpretation deals with accounting for and measurement of customer loyalty programmes. Under Customer Loyalty Programmes, customers generally acquire points (bonuses) that enable them to obtain goods or services free of charge or at a reduced price, whether from the seller or from a third party. Here, the outstanding question was whether the bonuses represent a debt in connection with a completed sales transaction or a prepayment for a future sale. Under the interpretation as now issued, the proceeds from the sale must be divided into two components. One portion relates to the present transaction that gave rise to the bonuses. The other portion relates to the future transaction that derives from the bonuses to be redeemed. The portion of the proceeds that is allocated to the supply or performance already rendered must be recorded in the income statement. The portion of the revenues that is to be allocated to the bonus must be recognized as a debt in the meaning of a prepayment until the bonus has been redeemed by the customer and the obligation arising from the bonus fulfilled.

This interpretation, that has not yet been adopted by the EU, is applicable to financial years beginning on or after July 1, 2008.

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

IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The International Financial Reporting Committee (IFRIC) published on July 5, 2007 the interpretation IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation gives advice on how to specify the limit pursuant to IAS 19: Employee Benefits for a surplus that can be recognized as a defined benefit asset. Furthermore, it provides an explanation on the effects on the measurement of assets and provisions from defined benefit plans on account of a legal obligation to a minimum contribution payment, for example, by law or under the stipulations of the plan. This ensures that companies can account for a plan asset surplus as an asset consistently.

This interpretation, that has not yet been adopted by the EU, is applicable for financial years beginning on or after January 1, 2008.

SUSS MicroTec AG does not expect any significant effects from the initial application in the year under review.

IAS 1: Presentation of Financial Statements

In September 2007, the International Accounting Standards Board (IASB) published IAS 1: Presentation of Financial Statements. IAS 1 replaces IAS 1: Presentation of Financial Statements (revised in 2003), in the version from 2005. The purpose of the revision is to improve the possibility of analysis and the comparability of financial statements for their users. IAS 1 governs the principles for the presentation and structure of financial statements and also contains minimum requirements for the content of financial statements.

The new standard, that has not yet been adopted by the EU, is applicable to financial years beginning on or after January 1, 2009.

SUSS MicroTec AG will assess the effects of the revised IAS and determine the application time accordingly.

c) Principal accounting and measurement methods

Taking into consideration the quality criteria of the accounting and of the applicable IFRS, 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:

Goodwill

Under IFRS 3, the derivative goodwill is not subject to regular amortization, but is examined once annually for impairment. An examination is also performed if there are triggering events that indicate a possible impairment.

The recoverability of goodwill is examined at the level of cash-generating units, these corresponding in the SUSS Group to the segments.

Impairment is recorded if the carrying values of the assets are no longer covered by the recoverable amount of the cash-generating unit concerned. The recoverable amount is the higher of fair value less costs to sell and value in use. SUSS MicroTec AG determines the recoverable amount of a segment generally on the basis of fair value less costs to sell. These values are based generally on valuations using discounted cash flows.

Other intangible assets

Purchased and internally generated intangible assets are capitalized 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 recognized at acquisition or manufacturing costs and amortized 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 capitalized 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 capitalized development performances comprise all costs that are directly attributable to the development process, including overheads relating to development. Costs of outside capital are not capitalized. Capitalized development costs are amortized normally straight-line from the commencement of production over the expected product life cycle of, as a rule, three to five years.

There are no other intangible assets with an indeterminate useful life in the SUSS Group.

Tangible assets

Tangible assets are recognized 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:

Land, buildings, fixtures	10 to 40 years
Plant and machinery	4 to 5 years
Other plant, operating, and office equipment	3 to 5 years
Vehicles	5 years

When assets are disposed of, the pertinent historical acquisition costs and accumulated depreciation are retired and the difference to sales proceeds is recorded as other operating expenses or income.

In the case of rented assets, a distinction is made between a "finance lease" and an "operating lease" as set out in IAS 17. Finance lease items are capitalized at the present value of all future minimum lease payments and the leasing debt is recorded on the liabilities side. The capitalized 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 capitalization, and the lease payments are recorded as expense in the periods when incurred.

There was no re-measurement of tangible assets pursuant to IAS 16.

Impairment of intangible and tangible assets

Intangible assets, including goodwill, and tangible assets are subject to impairment 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. Where it is not possible to determine the realizable 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).

If in later periods the circumstances that led to the impairment cease to pertain, revaluations are made. The revaluation is made at a maximum to the amount which would have resulted if the impairment had not been recorded. No revaluation is made on goodwill once it has been written down.

Other investments

Other investments on which no material influence can be exercised or that are of subordinate importance for the net assets, financial position and results of operations are allocated to the measurement category of "available for sale" and are recognized at acquisition costs less any necessary impairment since it is not possible to determine their fair value reliably.

Inventories

The inventories are measured at manufacturing or acquisition costs or, if lower, their net realizable value. The net realizable value is the selling proceeds that can probably be obtained less the costs to sell incurred prior to sale. Inventory risks 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 capitalized.

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

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

Financial instruments

Financial instruments are contractual relationships which lead for the one party to a financial asset and for the other to a financial debt or an equity instrument. These are divided into the categories “measured at cost,” “measured at fair value” and “lease liabilities.”

The entity records financial instruments in the balance sheet as soon as the SUSS Group becomes a contractual partner to a financial instrument. Initial recognition of the financial instruments is at market value. Subsequent measurement of financial assets and liabilities is in accordance with the class they have been allocated to – financial assets available for sale, loans and receivables, financial liabilities, or financial assets and liabilities held for trading.

The classes “Held to maturity” and “Fair value option” are not used.

Receivables and other financial assets

Receivables and other financial assets, with the exception of derivative financial instruments, are allocated to the class loans and receivables and measured at cost. Appropriate adjustments are made on doubtful receivables and receivables considered to be unrecoverable. These impairments are recorded on separate accounts.

Securities

Securities are classified as financial assets available for sale. They are recognized at fair values whenever these can be determined reliably. Unrealized gains and losses are shown, after consideration of deferred taxes, under accumulated other comprehensive income. In case of an impairment the accumulated other comprehensive income is reduced by the impairment loss, that is directly recorded in the income statement.

Cash and cash equivalents

Cash equivalents include all nearly liquid assets that, at the time of acquisition or investment, have a residual term of less than three months. Cash and cash equivalents are measured at cost.

Share-based compensation

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 plans and similar commitments

Provisions for pension plans and similar commitments are recognized pursuant to 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.

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 recognized 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 recognized if it seems sufficiently certain that they can be realized 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 net profit by the weighted average of the issued shares.

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

Derivative financial instruments

Derivative financial instruments are concluded in the SUSS Group for the purpose of hedging currency and interest risks.

Derivative financial instruments are accounted for pursuant to IAS 39. Derivative financial instruments are allocated to assets and liabilities held for trading purposes, are recognized at their market values, and presented under other current financial assets or other current financial liabilities. They are first recognized on the day of transaction. Changes in market value are generally recorded in the income statement under other operating income or expenses. 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 Grants, 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 relating to capitalizable development costs 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.

d) Use of estimates

The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions that affect the presentation of assets and debts, the disclosures of contingent liabilities as of 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.

Accounts receivable

Allowances on doubtful accounts involve in considerable measure estimates and judgements of individual receivables that are based on the creditworthiness of the individual customer, the current development of the economy and an analysis of historical defaults on portfolios of receivables. If the company derives the adjustment from historical default rates on a portfolio basis, any decrease in the volume of receivables decreases such provisions corresponding, and vice versa. As of December 31, 2007, the total adjustment on accounts receivable was T€ 538 (2006: T€ 1,116).

Impairments

SUSS MicroTec AG examines the goodwill for possible impairment at least once annually. The determination of the recoverable amount of a cash-generating unit that the goodwill is allocated to, is associated with estimates by management. The recoverable amount is the higher of the fair value, less costs to sell and the value in use. The company generally determines these figures using measurement methods based on discounted cash flow. The cash flow for the immediate future is determined on the basis of the current Group budget. For cash flow forecasts beyond the period of detailed planning, suitable forecasts from the semi-conductor sub-supplier industry are used. On the basis of these forecasts, a growth rate is determined for each year of the period under consideration. On average, an annual growth rate of 1.5% (2006: 4.6%) has been computed. The forecast net cash flow is discounted using a risk-adjusted interest rate of 8.9% (2006: 9.6%). These premises and the underlying method may have a considerable influence on the values concerned and finally on the amount of any possible impairment of goodwill.

If it is not possible to determine the recoverable amount for individual assets in the framework of an impairment test for tangible assets or other intangible assets, the cash flow is determined for the next higher group of assets for which such a cash flow can be determined. For tangible and for other intangible assets, too, the determination of recoverable amount is similarly associated with estimates by management, this having a considerable influence on the values concerned and in the final analysis on the amount of any impairment.

Pension plans and similar commitments

Obligations for pensions and associated expenses and income are determined in accordance with actuarial measurements. These measurements are based on key premises, including discount factors, the expected yield from plan assets, salary trends, and life expectancies. The discount factors assumed reflect the interest rates obtained as of the balance sheet date for high-quality fixed-interest investments with corresponding terms.

On account of fluctuations in the market and economic situation, the premises applied may deviate from the actual development, with material effects on the obligations for pensions.

Provisions

The determination of provisions for contractually agreed warranties is associated to a considerable extent with estimates. If the company derives these provisions from historical warranty cases, a decrease in the sales volume decreases such provisions correspondingly, and vice versa.

e) 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). If the parent company holds the majority of voting rights, it is assumed that it exercises control.

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 reporting currency of the Group is the euro, which is also the functional currency of the parent company. 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.

	2007		2006	
	Balance sheet	P&L	Balance sheet	P&L
1 € vs 1 USD	1.47	1.37	1.32	1.26
1 € vs 100 JPY	165.00	161.63	156.65	146.17
1 € vs 1 GBP	0.73	0.69	0.67	0.68
1 € vs 1 CHF	1.66	1.64	1.61	1.58
1 € vs 100 TWD	47.90	45.12	42.90	40.91
1 € vs 100 SGD	2.12	2.06	–	–
1 € vs 100 CNY	10.74	10.32	10.29	9.86
1 € vs 100 THB	43.83	44.55	46.77	47.61

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

Disclosures on the scope of consolidation

In the second quarter, the newly formed Suss MicroTec (Singapore) Pte Ltd., which is wholly owned by SUSS MicroTec AG, was included in the scope of consolidation. Suss MicroTec (Singapore) Pte Ltd. is entirely a distribution company, which is intended above all to strengthen the presence of the Test Systems division in Singapore. This change in the scope of consolidation is not significant for the results of operations, financial position, and net assets of the Group.

In the third quarter, SUSS MicroTec AG sold its dormant participation in Suss MicroTec Laboratory Equipment GmbH to Suss MicroTec Lithography GmbH. Thereupon, Suss MicroTec Laboratory Equipment GmbH was merged with Suss MicroTec Lithography GmbH with retrospective effect to January 1, 2007. This change in the scope of consolidation has no effect on the results of operations, financial position, and net assets of the Group.

There were no other changes to the scope of consolidation in the financial year 2007. Therefore, the following subsidiaries and associates of SUSS MicroTec AG (ultimate parent company) were included in the consolidated financial statements as at December 31, 2007 (figures on capital and net income of the individual companies according to local law and in local currency):

Entity	Subscribed capital	Investment	Equity total	Net income	Consolidation
SUSS MicroTec AG, Garching	17,019,126.00 €	Holding	96,177,282.11 €	-2,837,418.06 €	
Suss MicroTec Lithography GmbH, Garching	2,000,100.00 €	100%	15,332,814.00 €	3,791,759.20 €	full
Suss MicroTec Test Systems GmbH, Sacka ^{a)}	511,291.88 €	100%	8,793,426.00 €	-44,469.44 €	full
Suss MicroTec Ltd., Wokingham Berkshire	£10,000.00	100%	£1,501,328.00	£54,284.91	full
Suss MicroTec KK, Yokohama	30,000.00 TJPY	100%	396,002,175.00 TJPY	8,127,615.00 TJPY	full
Suss MicroTec S.A.S., St. Jeoire	1,275,000.00 €	100%	184,538.00 €	42,356.00 €	full
Suss MicroOptics S.A., Neuchatel	500,000.00 CHF	85%	3,193,122.00 CHF	1,506,632.09 CHF	full
Suss MicroTec Inc., Waterbury	\$105,000.00	100%	\$-4,568,814.00	\$-13,016,837.27	full
Suss MicroTec (Taiwan) Company Ltd., Hsin Chu	5,000,000.00 TWD	100%	78,558,474.00	14,207,366.00	full
Suss MicroTec Company Ltd., Shanghai	1,655,320.00 CNY	100%	5,481,493.00 CNY	630,602.43 CNY	full
Image Technology Inc., Palo Alto	\$24,287.00	100%	\$2,995,053.00	\$843,777.19	full
MFI Technologies Group, Vancouver	\$2,737,476.00	100%	\$-4,241,774.00	\$-16,244.41	full
HUGLE Lithography Inc., San Jose ^{b)}	\$1,190,442.00	53.1%	\$-39,579.00	\$-3,982.00	at cost
Suss MicroTec Company Ltd, Bangkok ^{c)}	4,000.00 TTHB	49%	13,702,303.00 TTHB	1,938,902.06 TTHB	full
Suss MicroTec REMAN GmbH, Oberschleissheim	25,564.59 €	100%	205,872.00 €	423,254.49 €	full
Suss MicroTec (Singapore) Pte Ltd., Singapore	12,725.88 SGD	100%	-9,824.80 SGD	-34,824.80 SGD	full
Zentrum für Technologiestruktur-entwicklung, Glaubitz ^{a)}	51,129.19 €	10%	n/a	n/a	at cost
ELECTRON MEC. S.R.L., Milan ^{d)}	52,000.00 €	10%	1,191,729.00 €	-221,728.00 €	at cost

^{a)} Net income before profit pooling agreement with SUSS MicroTec AG

^{b)} Entity considered at cost due to immateriality

^{c)} Included in the consolidated financial statements due to exercise of control

^{d)} Figures according to financial statements as of December 31, 2006

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

Company acquisitions

The Company did not make any acquisitions, either in the financial year 2007 or in the prior year.

Discontinued operations

By purchase contract dated July 16, 2007, SUSS MicroTec AG sold its business with Device Bonders. Suss MicroTec S.A.S., which is located in St. Jeoire, France and is a 100% subsidiary of the Group holding company, agreed with the former management of Suss MicroTec S.A.S. on the sale of the Device Bonder business to a company held by the former management of Suss MicroTec S.A.S. under a management buyout.

Under an asset deal, all material assets and liabilities of the Device Bonder business of Suss MicroTec S.A.S. were sold. The transfer of the Device Bonder business took economic effect as of January 1, 2007. The purchase price is T€ 2,000 and corresponds therewith approximately to the difference between the assets transferred and the liabilities assumed by the purchaser as at the date of economic transfer. Cash changes in the assets transferred and liabilities assumed in the period from January 1, 2007 to July 16, 2007 are compensated for between the parties additionally. From the Group perspective, there was overall a loss on disposal of T€ 98.

An overview regarding transferred assets and assumed liabilities as of July 16, 2007 from the Group perspective is made up as follows:

in T€	07/16/2007
Transferred assets	
Intangible assets	4
Tangible assets	589
Other non-current assets	1
Inventories	4,624
Accounts receivable trade	346
Accounts receivable intercompany	793
Other current assets	73
	6,430
Liabilities assumed by purchaser	
Pension plans and similar commitments	40
Financial debt (non-current)	992
Other non-current liabilities	3
Current provisions	35
Financial debt (current)	178
Accounts payable trade	676
Accounts payable intercompany	196
Other current liabilities	565
	2,685

The following explanations on the consolidated statement of income contain both the continuing and the discontinued operations of the Group. A separate presentation of the continuing and discontinued operations is shown in the consolidated statement of income.

Risk reporting

Reference is made to the comments on risk reporting in the management report. These are to be considered as part of these Notes.

Comments on the IFRS Consolidated Statement of Income

(3) Sales

The sales are made up as follows:

in T€	2007	2006
Machines	115,294	121,798
Spare parts	13,848	15,167
Service	5,327	6,266
Other	11,085	12,260
Total	145,554	155,491

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 comprise mainly revenues from the mask business and the micro-optics and C4NP areas.

(4) Cost of sales

The cost of sales includes amortization of capitalized development performances of T€ 1,888 (2006: T€ 2,326).

In addition, the cost of sales includes impairments on demonstration equipment and finished products in the amount of T€ 1,824 (2006: T€ 1,367) and impairments on raw materials, supplies, and consumables in the amount of T€ 2,635. These impairments include markdowns of T€ 1,889 that were incurred under the measurement of the net realizable value of inventory stocks for the C4NP machines. In the prior year, revaluations of T€ 31 were recorded on the raw materials, supplies, and consumables.

(5) Other operating income

Other operating income is made up as follows:

in T€	2007	2006
Foreign currency gains	2,637	126
Income from the release of provisions	773	417
Income from the release of doubtful accounts	578	61
Lease income	166	47
Other subsidies	65	356
Insurance payments	24	146
Miscellaneous	139	279
Total	4,382	1,432

The foreign currency gains contain mainly exchange gains from realized forward hedges of the Company and unrealized exchange gains from the measurement of outstanding forward exchange transactions as of the balance sheet date. These enabled SUSS MicroTec AG to compensate for material parts of the foreign currency losses that arose from the weakening of the US dollar and the Japanese yen in comparison with the euro.

The income from the reversal of provisions result from lower warranty costs and from lower risk provisions of the parent company.

Thanks to a very low default rate on customer receivables, the specific adjustments formed on a portfolio basis were reduced in the reporting year.

The other subsidies relate, as in the prior year, in particular to subsidies received from support projects which were to be taken to income.

(6) Other operating expenses

The other operating expenses are made up as follows:

in T€	2007	2006
Foreign currency losses	3,797	1,623
Losses from the disposal of tangible and intangible assets	247	202
Cancellation fee expense	0	51
Allowances for doubtful accounts	0	59
Miscellaneous	1,349	1,024
Total	5,393	2,959

The foreign currency losses of the reporting year include unrealized currency losses from the measurement of intra-Group loans in foreign currency that were extended by SUSS MicroTec AG to Suss MicroTec Inc. As of October 1, 2007, a major part of the outstanding receivables were converted into an indefinite loan. In accordance with IAS 21, instead of presenting the effects from the measurement as of the balance sheet date in the income statement, the company now presents them in accumulated other comprehensive income. This item contains moreover realized foreign currency losses from the operating business of the enterprise, that was conducted in the foreign currencies US dollar and Japanese yen. The two currencies weakened considerably in relation to the euro in the year under review.

(7) Financial income/expense

The financial income/expense include besides an impairment loss on financial assets available for sale in an amount of T€ 108 (2006: 0), interest expenses and interest income.

Interest expenses are composed as follows:

in T€	2007	2006
Bank loans	412	638
Pension plans	247	78
Warrant-linked bond	39	227
Interest swap contracts	10	0
Total	708	943

Of the interest expenses from the warrant-linked bond, T€ 19 (2006: T€ 100) related to interest payments to the bond creditors and T€ 20 (2006: T€ 127) to the topping-up amount in order to reach the repayment amount on maturity.

The interest income of T€ 522 (2006: T€ 522) results mainly from money market investments.

(8) Income taxes

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

in T€	2007	2006
German corporate tax	-62	-300
German trade income tax	-33	-180
Foreign corporate tax	1,245	1,180
Subtotal	1,150	700
... current taxes	1,668	1,277
... deferred taxes	-518	-577

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

in T€	2007	2006
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	5,712	15,613
Expected income taxes	2,133	5,830
Different foreign tax rates	-642	-403
Remeasurement of German tax rates	1,310	0
Trade tax imputation credit of interests on long-term loans	25	79
Devaluation of intra-Group loan items	0	-598
Other non-tax deductible expenses	385	274
Income taxes from prior years	230	544
Change of valuation allowance on loss carry-forwards	-1,044	-3,823
Utilization of loss carry-forwards not recognized in prior years	-1,224	-924
Non taxable income	-26	-244
Tax credits	0	-115
Miscellaneous	3	80
Effective taxes	1,150	700

Thanks to the sustained positive course of business in the Lithography segment, further revaluations were made in the reporting year on deferred tax assets in the amount of T€ 3,022 (2006: T€ 3,823). The revaluations increase 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 temporary booking differences – can probably be realized. This means that the loss carry-forwards available in the German group companies have been capitalized in full. The adjustment of T€ 1,978 on the net loss of Suss MicroTec Inc. had a countervailing effect on the change in the adjustment on deferred tax assets. The resulting net effect of T€ 1,044 is one of the two major causes of the continuing, relatively low rate of corporation tax of about 20%. The other cause of the low Group tax rate is in the utilization of adjusted loss carry-forwards of T€ 1,224 (2006: T€ 924) made possible by the net profit of Suss MicroTec Lithography GmbH.

A countervailing effect on the Group tax ratio came from the remeasurement of the deferred tax assets of the German Group companies. The Company Tax Reform Act 2008, which was passed by the German Federal Council (upper house of Parliament) on July 6, 2007, will lead to a considerable reduction in the tax rates in Germany as of 2008. The expected income tax rate for SUSS MicroTec AG and its domestic subsidiaries will fall to about 28%. This made it necessary to revalue the relevant deferred tax items in the reporting year. On account of the overhang of deferred tax assets in Germany, there is an additional, non-cash effect of T€ 1,310 for the Company.

The non-deductible operating expenses include mainly the expense recorded at the parent company arising from the share option schemes.

The tax expense for prior years relates to back tax payments of T€ 408 that were made mainly by Suss MicroTec (Taiwan) Company Ltd. A countervailing effect in this item arises from changes in the taxable income of T€ 268 of the German Group companies consequent on the completion of tax audits.

In the reporting year, a total of adjusted loss carry-forwards of T€ 1,244 were utilised, whereas in the prior year this effect had been T€ 924.

A reduction in the corporate taxation ratio of the prior year occurred through the capitalisation of a corporation tax credit of T€ 598 as a result of the SE introductory legislation (this deals with tax measures in connection with the introduction of the European company, or SE, and with the change of other taxation regulations) (SEStEG).

No tax deferral was recorded on non-distributed profits of subsidiaries. It was decided to forgo a calculation of the possible tax effects because the time and effort would have been disproportionate.

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

in T€	Assets		Liabilities	
	2007	2006	2007	2006
Other current liabilities	1,308	532	5	33
Pension plans and similar commitments	781	1,063		
Accounts receivable	37	264	21	13
Other non-current provisions	179	374		
Intangible assets			3,078	3,352
Other current assets	3	4	110	135
Financial debt			30	19
Goodwill			861	825
Inventories	1,376	1,113	91	460
Tangible assets	0	234	2,329	648
Miscellaneous	1	49	3	248
Loss carry-forwards	6,809	5,594		
Total	10,494	9,227	6,528	5,733

The Group has loss carry-forwards amounting to T€ 38,747 (2006: T€ 36,268). Of this amount, a total of T€ 5,765 will lapse in the period until 31 December 2012. In the period from 2022 to 2027, a total of T€ 8,875 will lapse. Loss carry-forwards of T€ 24,107 can be used indefinitely.

The change in the loss carry-forwards in comparison with the prior year results mainly from the utilization of loss carry-forwards of Suss MicroTec Lithography GmbH. There is a countervailing effect from the accumulation of loss carry-forwards resulting from the net loss of Suss MicroTec Inc.

No deferred tax assets were recognized on loss carry-forwards of T€ 14,640 (2006: 21,288).

Deferred tax assets include as of the balance sheet date total adjustments of T€ 7,411 (2006: T€ 10,982). These relate in an amount of T€ 6,004 (2006: T€ 8,276) to loss carry-forwards and in an amount of T€ 1,407 (2006: T€ 2,706) to temporary differences.

(9) Earnings per share

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

in T€	2007	2006
Profit	4,519	14,913
Less minority interests	114	114
Profit attributable to shareholders of SUSS MicroTec AG	4,405	14,799
Adjustments of profit		
Interest recognized related to dilutive potential ordinary shares	26	142
Profit attributable to shareholders of SUSS MicroTec AG after consideration of diluting effects	4,431	14,941
Weighted average number of shares outstanding, undiluted	17,012	16,823
Dilution due to existing stock option plans	61	67
Dilution due to existing warrant-linked bond	373	373
Weighted average number of outstanding shares, diluted	17,446	17,263
Earnings per share (€), undiluted	0.26	0.88
Earnings per share (€), diluted	0.25	0.87

Further information on the warrant-linked bond and on the stock option plans is provided in the Notes 22 and 25.

(10) Other disclosures on the IFRS Consolidated Statement of Income

Personnel expenses

The consolidated statement of income of the SUSS Group includes personnel expenses under the various postings as follows:

in T€	2007	2006
Wages and salaries	39,915	36,750
Social security expenses	4,461	4,856
Pensions expenses	2,430	2,483
Total	46,806	44,089

The social security charges and expenses for benefits contain mainly the employer portions of social security insurance and contributions to the employers' liability insurance plan. The expenditures for pension provision include pension expenses from company pension plans and employer contributions to the statutory pension system.

Cost of materials

The cost of materials in 2007 came to T€ 52,714 (2006: T€ 54,702).

Amortization and depreciation

Amortization and depreciation are made up as follows:

in T€	2007	2006
Intangible assets	3,129	3,700
Tangible assets	1,534	2,437
Total	4,663	6,137

Beside capitalized development costs of T€ 1,888 (2006: T€ 2,326), concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets in an amount of T€ 1,239 (2006: T€ 1,344) and capitalized leased items in an amount of T€ 2 (2006: T€ 30) were written off during the reporting year.

The main portion of the amortization on concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets in an amount of T€ 1,097 (2006: T€ 1,097) is contained under administration costs.

Neither in the year under review nor in the prior year were any impairments recorded on fixed assets.

Explanations on the Assets Side

(11) Intangible assets

The intangible assets show as of the balance sheet date patents, licenses and similar rights of T€ 3,292 (2006: T€ 2,833), and development work of T€ 16,191 (2006: T€ 11,679). The capitalized development work is mainly connected with the development of a production line for the C4NP technology and of new machines for the Substrate Bonder and Lithography segments.

(12) Goodwill

The goodwill of T€ 21,961 (2006: T€ 22,726) shown as of 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 from 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 of the balance sheet date amount to T€ -765 (2006: T€ -834) and are recorded under accumulated other comprehensive income, i.e. without impacting on the income statement.

(13) Tangible assets

The breakdown of items of tangible assets that are combined in the balance sheet and their development in the reporting year are shown in the schedule of fixed assets, which is an integral part of these Notes.

The tangible assets also include, with a residual carrying value of T€ 481 (2006: T€ 629), leased plant and machinery, leased operating and business equipment, and leased land, buildings, and 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").

(14) 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.

(15) Other (non-current) assets

The other non-current assets include mainly the asset values of reinsurance policies, which do not fulfill the criteria for offsetting against existing pension provisions, and tenants guarantee deposits for rented office buildings.

in T€	2007	2006
Reinsurance pension obligations	398	254
Deposits	120	161
Others	1	2
Total	519	417

(16) Inventories

The inventories may be broken down as follows:

in T€	2007	2006
Materials and supplies	25,862	23,899
Work in process	17,795	18,309
Finished goods	6,830	12,796
Demonstration equipment	14,412	12,571
Merchandise	110	108
Inventory reserves	-11,259	-9,719
Total	53,750	57,964

Of the total inventories of T€ 53,750 (2006: T€ 57,964) recognized in the balance sheet as of December 31, 2007, T€ 22,308 (2006: T€ 6,408) is accounted for at net realizable value. This rise results from a change in presentation at Suss MicroTec Inc., which subjects its demonstration equipment – in line with the rest of the Group – to a gross presentation.

(17) Accounts receivable

Accounts receivable break down as follows:

in T€	2007	2006
Accounts receivable - gross	26,120	24,360
Valuation allowance	-538	-1,116
Accounts receivable	25,582	23,244

The valuation allowance on the Group's accounts receivable changed as follows:

in T€	2007	2006
Valuation allowance as of beginning of fiscal year	1,116	1,126
Change in valuation allowances recorded in the income statement in the current period	-326	-61
Recoveries of amounts previously written-off	-790	-1,065
Increase in valuation allowances	538	1,116
Valuation allowance as of fiscal year-end	538	1,116

(18) Other financial assets

The following items are presented under other financial assets:

in T€	2007	2006
Outstanding purchase price receivables	1,906	0
Currency forwards	397	371
Others	720	240
Total	3,023	611

The outstanding purchase price receivables result from the sale of the Device Bonder segment in the year under review and are governed by a redemption plan.

The Company shows under other financial assets the positive market values from the forward currency transactions. Further details on the forward currency transactions are provided in Note 31 "Additional information on financial instruments."

(19) Securities

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

The portfolio of shares was recognized at the balance sheet date at market value, which was determined by the official rate on the stock exchange. Due to the ongoing weakness of the share price, the unrealized loss of T€ 7 arising from the change in market valuation was shown in the income statement. In addition, all previously recorded changes of the market value in an amount of T€ 101, that were attributed to the accumulative other comprehensive income were reversed in the income statement as well.

The value of the shares as the end of the year was T€ 2 (2006: T€ 9).

(20) Tax assets

The non-current tax assets result exclusively from the capitalization of the corporation tax credits of German Group companies in the amount of T€ 619 as a result of the SE introductory legislation (SEStEG) (this deals with tax measures in connection with the introduction of the European company, or SE, and with the change of other taxation regulations). The credit will be disbursed in ten equal annual amounts in the years 2008 to 2017. Since the disbursement amount does not bear interest, a corresponding discount has been made. The average effective interest rate used for this was 3.77% p.a.

The current tax assets consist of advance tax payments of T€ 847 (2006: T€ 1,029).

(21) Other (current) assets

The following items are contained under other current assets.

in T€	2007	2006
Prepaid expenses	716	724
Deposits paid	606	564
Others	382	236
Total	1,704	1,524

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

Explanations on Liabilities and Shareholders' Equity

(22) Equity

Subscribed capital

The nominal capital of SUSS MicroTec AG as of the prior year closing date was T€ 17,007. Following the exercise of, in total, 12,200 subscription rights in the exercise periods provided for under the share option plan 2002, the nominal capital from contingent capital 2002/II was increased by the issue of new shares against cash contribution by T€ 12 to T€ 17,019. It is divided into 17,019,126 individual shares with a notional share in the subscribed capital of € 1.00. We refer here to the statement of changes in equity.

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

The approved capital remained unchanged in the reporting year and as of the balance sheet date was T€ 6,022. It is approved until June 16, 2009.

As of December 31, 2007, the Company had a contingent capital totalling T€ 4,469 (2006: T€ 5,874). It can be used in an amount of up to T€ 3,674 for the issue of convertible bonds. The remainder in the amount of T€ 795 is for the granting of subscription rights to members of the Board or the management and to other management personnel in the Group. Here T€ 45 relate to the share option plan 2002 and T€ 750 to the share option plan 2005.

in T€	2007	2006
Subscribed capital	17,019	17,007
Authorized capital	6,022	6,022
Conditional capital	4,469	5,874

Reserves

The Group's reserves are composed as follows:

in T€	2007	2006
Additional paid-in capital	92,212	91,573
Earnings reserve	433	433
Retained earnings	-5,262	-9,667
Total	87,383	82,339

The capital reserve increased by T€ 20 during the reporting year as a result of the exercise of share options. In addition, T€ 619 was allocated to the additional paid-in capital from the granting of subscription rights under the existing share option plans, 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 warrant-linked bond and the costs of capital increases in the two accounting standards.

The earnings reserve is unchanged over the prior year.

The accumulated loss decreased by the amount of the net profit for the year of T€ 4,405, after accounting for minority shares, to stand at T€ -5,262.

Accumulated other comprehensive income

The development of accumulated other comprehensive income is as follows:

in T€	2007	2006
Foreign currency conversions	-291	715
Unrealized loss from securities	-63	-32
January 1	-354	683
Pre-tax changes		
Foreign currency conversions	-1,820	-1,006
Unrealized loss from securities	101	-49
Tax effects		
Unrealized loss from securities	-38	18
December 31	-2,111	-354

Share option plans of SUSS MicroTec AG

Share option plan 1999

At the Shareholders' Meeting held on 6 April 1999, a resolution was passed to increase the nominal capital by up to T€ 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 March 31, 2004. 50% of the subscription rights can be exercised after a waiting period of three years and 50% after a waiting period of five 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, otherwise six years after the end of the purchase term.

At the Shareholders' Meeting held on July 6, 2007, the contingent capital for this option plan was reduced to T€ 0. The issue of subscription rights on the basis of the share option plan 1999 was revoked for the future.

Share option plan 2002

At the Shareholders' Meeting held on June 14, 2002, a resolution was passed to increase the nominal capital by up to T€ 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 further managerial personnel of the Group companies until December 31, 2007. The subscription rights can be exercised 100% after a waiting period of two years.

The weighted average market value of the options granted in 2007 in the amount of € 3.0392 was computed using the Black-Scholes option valuation model. The following parameters were used to determine the market value:

	2007	2006
Expected average term	3.5 years	5 years
Risk-free interest rate	4.36%	4.04%
Expected volatility of SUSS shares	44%	48%
Expected dividend yield	0%	0%

In computing the volatility, historical currency fluctuations of the SUSS MicroTec share were taken into consideration.

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

	Number of stock options	weighted average subscription price in €
01/01/2006	673,027	12.42
granted 2006	209,500	7.53
exercised 2006	213,958	3.33
expired 2006	254,669	18.60
12/31/2006	413,900	10.85
granted 2007	350,300	8.39
exercised 2007	12,200	2.58
expired 2007	83,050	30.58
12/31/2007	668,950	7.26
negotiable	200	

The following table summarizes the above information on all the subscription rights issued by the Company:

Subscription price level	Number of stock options	Weighted average subscription price in €	Weighted average term of maturity in months
under € 2.50	7,500	1.11	17
€ 2.50 – € 4.99	155,150	4.77	33
€ 5.00 – € 7.49	0	0.00	0
€ 7.50 – € 9.99	506,300	8.12	37
€ 10.00 and above	0	0.00	0
	668,950	7.26	36

(23) Pension plans and similar commitments

The Company grants various benefits arrangements covering mainly old age, death, and invalidity. The plans 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 a defined benefit system and a defined contribution system. In the case of defined benefit commitments, 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 charged against income, and no provisions are set up.

The pension obligations are composed as follows:

in T€	2007	2006
Domestic liabilities	1,935	1,995
Foreign liabilities	803	601
Total	2,738	2,596

Defined benefit plans

The Group maintains defined benefit pension plans in Germany, Japan and, as of 2007, in Switzerland. 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:

	2007	2006
Discount factor	5.45% – 5.62%	4.25% – 4.50%
Return on plan assets	3.80% – 5.00%	4.50% – 4.75%
Salary increase	0.0%	0.0%
Pension increase	1.0%	1.0%

Life expectancy according to tables of Dr. Heubeck, 2005

No increases 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 pension commitments of the subsidiary in Switzerland cover claims for retirement, invalidity, and surviving dependents' pensions, depending on the basic salary. All employees and members of management of the subsidiary have entitlements.

The main actuarial assumptions are shown below:

	2007
Discount factor	3.25%
Return on plan assets	3.50%
Salary increase	1.5%
Pension increase	0.8%

The present values of defined benefit obligations and the market values of the plan assets developed in the financial years 2007 and 2006 as follows:

in T€	2007	2006
Defined benefit obligation as of January 1	3,986	4,013
First-time consideration of SMO	320	0
Service cost	168	225
Interest cost	306	137
Pension payments	-234	-255
Actuarial (-) gain / (+) loss	-335	-54
Foreign exchange fluctuations	-37	-80
Defined benefit obligation as of December 31	4,174	3,986

The actuarial gain of the reporting year largely reflects the increase in interest rates.

in T€	2007	2006
Plan assets as of January 1	1,281	1,265
First-time consideration of SMO	320	0
Expected return on plan assets	59	59
Net-contributions	1	-42
Actuarial (+) gain / (-) loss	-21	-1
Plan assets as of December 31	1,640	1,281

The reconciliation of the coverage status with the amount shown in the consolidated balance sheet produces the following:

in T€	2007	2006
Defined benefit obligation	4,174	3,986
Plan assets	-1,640	-1,281
Net obligation	2,534	2,705
Actuarial (+) gain / (-) loss not yet recognized	204	-109
Balance sheet amount as of December 31	2,738	2,596

Of the present value of the pension obligations, T€ 2,303 (2006: T€ 1,861) relate to pension claims financed by funds.

The pension expenses break down as follows:

in T€	2007	2006
Service costs	168	225
Personnel expenses component	168	225
Interest expenses component	306	137
Expected income from plan assets	-59	-59
Interest expenses component	247	78

The personnel expense component of the reporting year relates in the amount of T€ 168 (2006: T€ 152) to administration costs and in the amount of T€ 0 (2006: T€ 73) to selling expenses.

The development of the present value of defined benefit obligations of the plan assets and of the actuarial gains and losses broken down by present value of defined benefit obligations and plan assets is shown in the following table:

in T€	2007	2006	2005	2004
Defined benefit obligation	4,174	3,986	4,013	3,607
Plan assets	1,640	1,281	1,265	1,248
Funded status	2,534	2,705	2,748	2,359

Experience adjustments in accordance with IAS 19.120 Ap were not necessary in the period under review because the quantities subject to measurement were unchanged.

In the financial year 2008, it is expected that contributions of T€ 67 will be paid into the pension plan of Suss MicroOptics S.A.

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 plan 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 six 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 2007, the expenses to the Group arising from the profit participation plan came to T€ 0 (2006: T€ 0) and for the 401 (k) plan T€ 145 (2006: T€ 309).

Moreover, in the reporting year employee contributions were paid to the statutory pension plan in the amount of T€ 1,956 (2006: T€ 1,737).

(24) (Non-current) provisions

The non-current provisions comprise obligations of the Group arising from agreements under the pre-retirement part-time plan. The provisions have developed as follows:

in T€	As of Jan 1, 2007	Utilization	Reversal	Additions	As of Dec 31, 2007
Pre-retirement arrangements	586	-119	-35	305	737

The pre-retirement arrangement concluded under a works agreement applies to employees of Suss MicroTec Lithography GmbH, of SUSS MicroTec AG, and of Suss MicroTec Test Systems 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 plan equals at least 82% of the monthly full-time net salary. The topping-up amount is paid free of tax and social security charges.

(25) Financial debt

The maturity structure of the bonds, bank borrowings, and liabilities from finance leases as of December 31, 2007 and the prior year balance sheet date is as follows:

December 31, 2007				
in T€	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 5 years	Total
Bank liabilities	2,624	9,082	0	11,706
Liabilities from bonds	355	0	0	355
Liabilities from finance lease	205	173	0	378
Total	3,184	9,255	0	12,439

December 31, 2006				
in T€	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 5 years	Total
Bank liabilities	2,860	1,628	401	4,889
Liabilities from bonds	0	335	0	335
Liabilities from finance lease	256	313	0	569
Total	3,116	2,276	401	5,793

Bank liabilities

Of the bank liabilities, T€ 1,874 (2006: T€ 1,276) relate to the utilization of credit facilities and T€ 9,832 (2006: T€ 3,613) to long-term loans.

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

in T€	2007	2006
Credit line	16,188	16,638
Utilization	1,874	1,276
Open credit line	14,314	15,362

The decrease in the credit line in the reporting year results mainly from the termination of a credit line in France in the amount of T€ 1,000 following the sale of the Device Bonders segment. Meanwhile, a local credit line in Japan was increased by about T€ 500. The largest portion of the facility amounting to T€ 12,000 is constituted by a domestic credit line that is provided by a banking syndicate. The line is connected with the pledging of current assets of the domestic companies concerned. As of the balance sheet date, this credit line was not utilized.

The average interest rate for the utilization of the credit facilities was 4.34% (2006: 4.55%).

In December 2007, the Company placed a promissory note loan with a gross total of T€ 9,000 under the lead of UniCredit (HVB). The promissory note loan consists of three placements each in an amount of T€ 3,000, whereby one bears interest at 6% and two bear variable interest. The loan has a term of five years and will serve the refinancing of current liabilities and of medium- to long-term finance for the Company and investment. It is unsecured and subject to adherence to various financial covenants. In order to avoid interest risks, the Company has secured the two variable interest promissory notes with swap contracts with matching terms.

The financial liabilities of Suss MicroTec S.A.S. were the object of the sale of the Device Bonder Segment and were assumed by the purchaser in the year under review.

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

Entity in T€	2007	2006	Interest rate	Maturity
SUSS MicroTec AG	2,970	0	6.00%	12/18/2012
SUSS MicroTec AG	2,970	0	6.17%	12/18/2012
SUSS MicroTec AG	2,970	0	6.06%	12/21/2012
Suss MicroTec Test Systems GmbH	318	953	3.25%	03/31/2008
Suss MicroTec Lithography GmbH	366	814	3.75%	09/30/2008
Image Technology Inc.	0	107	9.81%	04/11/2007
Image Technology Inc.	0	25	8.75%	04/11/2007
Image Technology Inc.	0	82	8.75%	04/11/2007
Image Technology Inc.	238	332	9.27%	03/26/2011
Suss MicroTec S.A.S.	0	437	4.21%	03/11/2014
Suss MicroTec S.A.S.	0	48	4.11%	07/20/2007
Suss MicroTec S.A.S.	0	399	4.29%	03/11/2014
Suss MicroTec S.A.S.	0	399	4.42%	03/11/2014
Other loans € 1 million	0	17		
Total	9,832	3,613		
thereof due current	750	1,584		
thereof due non-current	9,082	2,029		
... due in 2008	750			
2009	72			
2010	79			
2011	21			
2012	8,910			
... later	0			
	9,832			

(26) Other (non-current) financial liabilities

The following items are contained under the other non-current financial liabilities:

in T€	2007	2006
Loans from employees	0	46
Others	51	149
Total	51	195

(27) (Current) provisions

The current provisions are made up as follows:

in T€	2007	2006
Warranty provisions	1,838	1,694
Severance payments	9	456
Miscellaneous provisions	1,075	2,880
Total	2,922	5,030

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 utilization.

The current provisions have developed as follows:

in T€	As of Jan 1, 2007	Utilization	Reversal	Additions	As of Dec 31, 2007
Warranty provisions	1,694	-1,592	-147	1,883	1,838
Severance payments	456	-447	0	0	9
Miscellaneous provisions	2,880	-2,173	-591	959	1,075
Total	5,030	-4,212	-738	2,842	2,922

(28) Other (current) financial liabilities

The other current financial liabilities break down as follows:

in T€	2007	2006
Bonuses and commissions	1,116	1,447
Third party services	1,660	1,195
Compensation of Supervisory Board	165	164
Currency forwards	0	16
Interest forwards	10	0
Miscellaneous	1,138	363
Total	4,089	3,185

Under other financial liabilities the Company shows the negative market values from the forward currency transactions and interest derivatives. Further details on the forward currency transactions and interest hedges are provided in Note 31 "Additional Information on Financial Instruments"

(29) Other (current) liabilities

Other current liabilities break down as follows:

in T€	2007	2006
Customer deposits	14,323	20,981
Accrued personnel expenses	4,914	5,563
Deferred income	597	275
Turnover tax	183	427
Total	20,017	27,246

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

The accrued personnel expenses contain mainly obligations for vacation arrears and credit accounts under the flexible hours plan.

(30) Tax liabilities

The tax liabilities are made up of domestic income taxes of T€ 2,005 (2006: T€ 1,226) and foreign income taxes of T€ 208 (2006: T€ 112).

Other Disclosures

(31) Additional information on 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 accounts receivable and payable as well as financial receivables and liabilities. The financial instruments comprise also derivative instruments that are used to hedge currency and interest risks. The estimated market values of the financial instruments do not necessarily represent the values that the Company would realize in an actual transaction under present market conditions. The following section provides a comprehensive overview of the significance of financial instruments for the Company and supplies additional information on balance sheet items containing financial instruments.

The following table shows the carrying values of all categories of financial assets and liabilities:

in T€	2007	2006
Financial assets		
Financial assets held for sale	2	9
Loans and receivables	28,208	23,484
Financial assets held for trading	397	371
	28,607	23,864
Financial liabilities		
Financial liabilities held for trading	10	16
Financial debt	25,019	15,006
	25,029	15,022

The table below presents the market values and the carrying values of the financial assets and liabilities.

in T€	2007		2006	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	20,092	20,092	20,459	20,459
Accounts receivable	25,582	25,582	23,244	23,244
Other investments	5	5	5	5
Other financial assets	3,023	3,023	611	611
denominated at amortized costs	2,626	2,626	240	240
denominated at fair value	397	397	371	371
Securities, denominated at fair value	2	2	9	9
Financial liabilities				
Accounts payable	8,828	8,828	6,418	6,418
Financial debt	12,439	12,524	5,793	4,565
Warrant-linked bond	355	391	335	412
Bank liabilities	11,706	11,758	4,889	3,593
Liabilities from finance lease	378	375	569	560
Other financial liabilities	4,140	4,140	3,380	3,380
denominated at amortized costs	4,130	4,130	3,364	3,364
denominated at fair value	10	10	16	16

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

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

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

Other investments: It is not possible to determine reliably the market value of the other investments. The other investments are moreover of subordinate significance for the presentation of the net assets, financial position, and results of operations of the enterprise.

Other financial assets/liabilities: Because of the short-term nature of the assets and liabilities, the carrying values of the other financial assets and liabilities, which are measured at adjusted acquisition costs, correspond roughly to the market value.

The valuation of other financial assets and liabilities that are measured at fair value depends on their type. The market value of forward currency transactions is determined by the rates for forward currency transactions. The market value of interest derivatives is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current market interest rates and the interest structure graph.

Securities: The market value of the financial assets available for sale corresponds to the prices in an active market.

Bank liabilities: The market value of the financial liabilities with regard to bank borrowings 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.

Warrant-linked bond: In order to determine the market value of the financial liabilities existing on the basis of the warrant-linked 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 warrant-linked bond is not secured. Similarly, 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 net gains and losses on financial instruments have developed as follows:

in T€	2007	2006
Loans and receivables	326	10
Financial assets and liabilities held for trading	32	784
Financial assets held for sale	-108	0

Net gains or losses from loans and receivables contain changes in the adjustments, gains and losses from retirements and receipts of payments for loans and receivables that had been written off.

Net gains and losses on financial assets and financial liabilities held for trading purposes contain market value changes of the derivative financial instruments.

The change in fair value of the financial instruments available for sale in the year under review was T€ -7, which was recorded directly in the income statement due to its permanent character. In addition, all previously recorded changes of the market value in an amount of T€ 101 that were attributed to the accumulative other comprehensive income were reversed in the income statement as well.

Derivative financial instruments

For purposes of risk management, derivative financial instruments are used to limit the effects of fluctuations in exchange rates and interest rates.

The market values of the different kinds of derivative financial instruments have developed as follows:

in T€	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	397	0	371	16
Interest forwards	0	10	0	0

The Süss family

The following table presents the main relationships between the Company and the Süss family. The pension claims are shown in Note 23.

in T€	2007	2006
Salaries, Pensions	415	404

Peter Heinz

Mr Peter Heinz, who is a member of the Supervisory Board, has since 2007 been a member of the board of Image Technology Inc., a 100% subsidiary of SUSS MicroTec AG. Mr Heinz receives an annual remuneration of T€ 7 for his activity.

CMS Hasche Sigle

Dr. Schücking, who is a partner in the law firm Rechtsanwaltssozietät CMS Hasche Sigle, was a member of the Supervisory Board of SUSS MicroTec AG until July 6, 2007. The Group obtains legal consultation services from this firm of lawyers.

in T€	2007	2006
Legal fees	143	23

With regard to the remuneration of the Supervisory Board and the Management Board, we refer to Note 35.

(33) Financial obligations and contingent liabilities

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

in T€	2007	2006
Purchase contingencies	9,142	17,705
Obligations from rental contracts	3,722	5,619
Miscellaneous	267	59
Total	13,131	23,383

The order obligation commits the Company to later purchase of services from third parties or materials.

Of the obligations from rental contracts, T€ 3,335 (2006: T€ 5,238) are obligations to related companies or persons.

(34) 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 current business 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. In the reporting year, a portion of T€ 350 (2006: T€: 0) of the liquid funds shown as of the balance sheet date served as collateral for a guarantee and bonding insurance contract, whereas in the prior year collateral of T€ 200 was provided for finance forward transactions with banks.

The cash flows from investing and financing activities are computed on the basis of payments. On the other hand, the cash flow from current business activity is derived indirectly from the profit of the fiscal year.

Under the indirect computation, effects due to currency translation are eliminated from the relevant changes in balance sheet postings. The changes in the relevant balance sheet postings can therefore not be reconciled with the corresponding figures on the basis of the consolidated balance sheets.

The other non-cash income and expenses in the amount of T€ 2,090 (2006: T€ 2,400) comprise mainly currency effects from intra-Group foreign currency loans that were extended to SUSS MicroTec AG.

(35) Segment reporting

Information about the segments

The activities of the SUSS Group are analyzed 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, and Test Systems. The Device Bonder Segment, that was given up in July 2007, is presented as a separate segment until the order backlog existing as of the transfer date has been processed. The segment Others 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 organizations 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 microsystems 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, that was sold in the year under review, covered the development, production, and distribution of the product line Device Bonder. The segment activities were located at St. Jeoire, France. This facility also hosts substantial parts of the distribution organization in addition to development and production activities. On account of the technical complexity and the low size of the market, there were no other noteworthy distribution organizations 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 organizations (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 (microsystems technology, LED testing systems).

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

Other explanations on segment reporting

The segment data was determined using the accounting and measurement methods applied in the consolidated financial statements. Due to the segmentation of the Group by product line, independent of entities, there are in general no intersegmentary transactions. An exception is the charging-on of costs by SUSS MicroTec AG recorded in the segment Others to the other segments for the performance of certain Group functions such as financing and strategy matters.

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 fixed assets, before interest income and expense, and before income taxes.

Among the principal non-cash expenses and income, are adjustments on receivables, markdowns on inventories, personnel expenses from the share option plans, and the release of provisions.

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

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

The investments are additions of intangible and tangible assets.

No impairments were recorded, either in the reporting year or in the reference prior period.

For the geographical segment reporting, the sales revenues are segmented according to the location of the customers. The assets and investments were calculated on the basis of the location of the Group company concerned.

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

in T€	2007				2006	
	Dr. Stefan Schneidewind	Michael Knopp	Dr. Stefan Reineck	Stephan Schulak	Dr. Stefan Schneidewind	Stephan Schulak
Compensation						
Fixed	295	70	200	58	285	717
Variable	158	33	0	0	92	67
Total	453	103	200	58	377	784
Stock options						
Number of stock options	70,000	30,000	40,000	0	40,000	0
Exercise price	8.39	8.39	8.39	n/a	7.53	n/a

Moreover, on account of the options granted to Board members in 2005, 2006, and 2007, T€ 222 (2006: T€ 85) was recognized as personnel expense in the Holding.

There is a pension provision of T€ 4 (2006: T€ 5) for one former member of the Management Board of the company.

Supervisory Board

The members of the Supervisory Board in the financial year 2007 were:

- Dr. Winfried Süss** Munich, managing director (retired), chairman of the Supervisory Board
- Gerhard Rauter** Dresden, managing director in charge of production at Q-Cells AG in Bitterfeld-Wolfen, deputy chairman of the supervisory board
- Further appointments: SOLIBRO GmbH, Bitterfeld-Wolfen (member of the advisory council)
 Calyxo GmbH, Bitterfeld-Wolfen (member of the advisory council)
 Sontor GmbH, Bitterfeld-Wolfen (member of the advisory council)
 Westsächsische Hochschule Zwickau (member of the board of trustees)
- Dr. h.c. Horst Görtz** resident in Neu-Anspach, chairman (retired) of the management board of Ultimaco Safeware AG (until September 30, 2007)
- Peter Heinz** Waterbury, Vermont, USA, managing director (retired)
- Further appointments: H&H Associates Inc., Waterbury, Vermont, USA (member of the Supervisory Board)
 Image Technology Inc., Palo Alto, CA/USA (member in the Board)
- Prof. Dr. Anton Heuberger** Munich, professor at TU CAU Kiel
- Further appointments: IZET, Itzehoe (member of the advisory council)
 Sensor Dynamics, Graz, Austria (member of the supervisory Board)

Dr. Christoph Schücking Frankfurt/Main, lawyer and notary of the law firm CMS Hasche Sigle (until July 6, 2007)

Further appointments: Bankhaus B. Metzler seel. Sohn & Co. KGaA, Frankfurt a. M. (chairman of the supervisory board and chairman of the partners' committee)
Bankhaus B. Metzler seel. Sohn & Co. Holding AG, Frankfurt a. M. (chairman of the supervisory board)
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' committee)

Heinz-Peter Verspay Cologne, lawyer in the law firm Hecker, Werner, Himmelreich & Nacken (from July 6, 2007)

Further appointments: Lang Audiovision AG, Lindlar (chairman of the supervisory board)
Pharma Benchmark AG, Cologne (member of the supervisory board)

Dr. Stefan Reineck resident in Kirchartd, shareholder of Dr. Reineck Management & Consulting GmbH (from October 1, 2007)

Further appointments: AttoCube Systems AG, Munich (chairman of the supervisory board)
NanoScape AG, Munich (chairman of the supervisory board)
Aleo solar Aktiengesellschaft, Prenzlau (member of the supervisory board)
TF Instruments Inc. Monmouth Junction, NJ/USA (member of the Board)
Phoseon Technology Inc., Hillsboro OR/USA (member of the Board)

Each member of the Supervisory Board receives, apart from the reimbursement of expenses incurred in exercising his office, a fixed remuneration of € 15,000 in each financial year. If an officer of the Supervisory Board is a member for only part of the financial year, the remuneration is awarded in proportion to the time of membership. In addition, the members of the Supervisory Board receive an amount of € 1,500 for attendance at a session of the Supervisory Board or one of its committees.

The chairman of the Supervisory Board receives the threefold amount and his deputy one-and-a-half times the ordinary rate.

The chairman of the Supervisory Board, Dr. Süß, has waived receipt of any remuneration.

The details of the remuneration of the Supervisory Board for the past financial year are as follows:

	2007 (all amounts in €)				Total
	Membership in 2007	Fixed remuneration	Attendance fee	Out of pocket expenses and VAT	
Dr. Winfried Süß	all year	–	–	0.00	0.00
Gerhard Rauter	all year	22,500.00	22,500.00	2,684.87	47,684.87
Dr. Stefan Reineck	since 10/01/2007	3,750.00	1,500.00	997.50	6,247.50
Dr. h.c. Horst Görtz	up to 09/30/2007	11,250.00	19,500.00	9,202.91	39,952.91
Peter Heinz	all year	15,000.00	13,500.00	9,923.94	38,423.94
Prof. Dr. Anton Heuberger	all year	15,000.00	10,500.00	7,649.93	33,149.93
Dr. Christoph Schücking	up to 07/06/2007	7,500.00	9,000.00	3,983.38	20,483.38
Heinz-Peter Verspay	since 07/06/2007	7,500.00	6,000.00	0.00	13,500.00

In the prior year, the remuneration of the Supervisory Board was composed as follows:

2006 (all amounts in €)					
	Membership in 2006	Fixed remuneration	Attendance fee	Out of pocket expenses and VAT	Total
Dr. Winfried Süß	all year	45,000.00	10,500.00	9,344.29	64,844.29
Thomas Schlytter-Henrichsen	up to 06/20/2006	11,250.00	3,000.00	3,109.32	17,359.32
Gerhard Rauter	since 06/20/2006	11,250.00	6,000.00	961.37	18,211.37
Dr. h.c. Horst Görtz	all year	15,000.00	10,500.00	7,614.62	33,114.62
Peter Heinz	all year	15,000.00	7,500.00	3,759.00	26,259.00
Prof. Dr. Anton Heuberger	all year	15,000.00	7,500.00	6,071.96	28,571.96
Dr. Christoph Schücking	all year	15,000.00	7,500.00	4,027.82	26,527.82

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 of the balance sheet date stood at T€ 1,871 (2006: T€ 2,126).

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

in T€	2007		2006	
	Shares	Options	Shares	Options
Dr. Stefan Schneidewind	18,278	150,000	13,278	80,000
Michael Knopp	5,000	30,000	–	–
Stephan Schulak	–	–	25,000	0
Dr. Winfried Süß	1,131,000	0	1,131,000	0
Gerhard Rauter	0	0	0	0
Dr. h.c. Horst Görtz (up to 09/30/2007)	17,216	0	17,216	0
Peter Heinz	1,338	0	1,338	0
Dr. Christoph Schücking (up to 07/06/2007)	500	0	500	0
Prof. Dr. Anton Heuberger	0	0	0	0
Heinz-Peter Verspay (since 07/06/2007)	0	0	–	–
Dr. Stefan Reineck (since 10/01/2007)	1,600	40,000	–	–

(37) Employees

In the reporting year, an average of 753 employees (2006: 724) were employed in the SUSS Group.

Status at the end of the year:

	2007	2006
Administration	98	99
Sales and Marketing	283	278
Operations	350	383
Total	731	760

(38) Auditor's fees

The expense recorded in the financial year 2007 for fees for the auditor of the consolidated financial statements, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, pursuant to § 314 (1) Nr. 9 HGB, is T€ 112 (2006: T€ 329) and is composed as follows:

in T€	2007	2006
Year-end audits	297	243
Tax advisory services	2	86
Miscellaneous	41	0
Total	340	329

The item audit of the financial statements includes the entire fee for the audit of the annual financial statements of SUSS MicroTec AG and the audit of the consolidated financial statements as well as the annual financial statements of subsidiaries audited by KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

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

(39) Corporate Governance

The Management Board and Supervisory Board of SUSS MicroTec AG issued the declaration, prescribed by §161 AktG, on observance of the German Corporate Governance code (version of June 17, 2007) in December 2007 and made it permanently available under www.suss.com.

(40) Disclosure pursuant to § 160 No. 8 AktG

In the reporting year, the following notifications were made to the company pursuant to § 21 (1) WpHG (securities trading act) in conjunction with § 32 (2) InvG:

On March 5, 2007, Global Opportunities Fund, Amsterdam, Netherlands notified the Company that the share of voting rights held by Global Opportunities Fund, Amsterdam, Netherlands, in SUSS MicroTec AG had on March 5, 2007 passed the threshold of 3% to stand at 3.91%.

On March 5, 2007, Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands notified the Company that the share of voting rights of Global Opportunities Fund, Amsterdam, Netherlands, in SUSS MicroTec AG had passed on March 5, 2007 the threshold of 3% to stand at 3.91%. 3.91% of voting rights, that are held directly by Global Opportunities Fund, Amsterdam, Netherlands, are attributed to Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands.

On March 5, 2007, Global Opportunities (GO) Capital Asset Management N.V., Amsterdam, Netherlands notified the Company that the share of voting rights held by Global Opportunities Fund, Amsterdam, Netherlands, in SUSS MicroTec AG had on March 5, 2007 passed the threshold of 3% to stand at 3.91%. 3.91% of voting rights, that are held directly by Global Opportunities Fund, Amsterdam, Netherlands, are attributed via Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands to Global Opportunities (GO) Capital Asset Management N.V.

On March 7, 2007, Sal. Oppenheim jr. & Cie., KG auf Aktien, Unter Sachsenhausen 4, 50667 Köln (Cologne) notified the Company that its share of voting rights in SUSS MicroTec AG had on February 27, 2007 fallen below the threshold of 5% and now stands at 4.3%.

On April 4, 2007, Global Opportunities Fund, Amsterdam, Netherlands notified the Company that the share of voting rights of Global Opportunities Fund, Amsterdam, Netherlands, in SUSS MicroTec AG had on April 3, 2007 passed the threshold of 5% to stand at 5.35%.

On April 4, 2007, Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands, notified the Company that the share of voting rights held by Global Opportunities (GO), Capital Asset Management B.V., Amsterdam, Netherlands, in SUSS MicroTec AG had on April 3, 2007 passed the threshold of 5% to stand at 5.35%. The voting rights held directly by Global Opportunities Fund, Amsterdam, Netherlands, are attributed to Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands, pursuant to § 22 (1) number 6 WpHG (securities trading act).

On April 4, 2007, Global Opportunities (GO) Capital Asset Management N.V., Amsterdam, Netherlands, notified the Company that the share of voting rights held by Global Opportunities Fund, Amsterdam, Netherlands in SUSS MicroTec AG had on April 3, 2007 passed the threshold of 5% to stand at 5.35%. 5.35% of voting rights, that are held directly by Global Opportunities Fund, Amsterdam, Netherlands are attributed via Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands to Global Opportunities (GO) Capital Asset Management N.V.

On May 11, 2007, Absolute Capital Management Holdings Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on May 7, 2007 passed the threshold of 5% to stand at 5.281%. Pursuant to § 22 (1) sentence 1 number 1 and number 6 WpHG (securities trading act), 5.281% are attributable to Absolute Capital Management Holdings Limited. The voting rights are not held by any companies whose share of the voting rights in SUSS MicroTec AG amounts – directly or indirectly – to 3% or more.

On August 17, 2007, Absolute Activist Value Master Fund Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on August 10, 2007 passed the threshold of 3% to stand at 3.016%.

On August 17, 2007, Absolute Activist Value Fund Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on August 10, 2007 passed the threshold of 3% to stand at 3.016%. Of this, 3.016% of the voting rights are attributable to Absolute Activist Value Master Fund Limited pursuant to § 22 (1) sentence 1 number 1 WpHG.

On August 17, 2007, Absolute Capital Management Holdings Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on July 16, 2007 fallen below the threshold of 5% to stand at 4.623%. Pursuant to § 22 (1) sentence 1 number 1 and number 6 WpHG (securities trading act), 4.623% are attributable to Absolute Capital Management Holdings Limited. The voting rights are not held by any companies whose share of the voting rights in SUSS MicroTec AG amounts – directly or indirectly – to 3% or more.

On September 25, 2007, Absolute Activist Value Master Fund Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on September 19, 2007 fallen below the threshold of 3% to stand at 2.977%.

On September 25, 2007, Absolute Activist Value Fund Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on September 19, 2007 fallen below the threshold of 3% to stand at 2.977%. Of this, 2.977% of the voting rights are attributable to Absolute Activist Value Fund Limited pursuant to § 22 (1) sentence 1 number 1 WpHG. The voting rights are not held by any companies whose share of the voting rights in SUSS MicroTec AG amounts – directly or indirectly – to 3% or more.

On September 25, 2007, Absolute Capital Management Holdings Limited, George Town, Grand Cayman, Cayman Islands gave notification that its share of voting rights in SUSS MicroTec AG had on September 21, 2007 fallen below the threshold of 3% to stand at 2.977%. Pursuant to § 22 (1) sentence 1 number 1 and number 6 WpHG (securities trading act), 2.977% are attributable to Absolute Capital Management Holdings Limited. The voting rights are not held by any companies whose share of the voting rights in SUSS MicroTec AG amounts – directly or indirectly – to 3% or more.

On November 13, 2007, Sterling Strategic Value Limited, Tortola, British Virgin Islands gave notification that its share of voting rights in SUSS MicroTec AG had on November 12, 2007 passed the threshold of 3% to stand at 3.99%.

On November 13, 2007, Mr Tito Tettamanti, United Kingdom gave notification that his share of voting rights in SUSS MicroTec AG had on November 12, 2007 passed the threshold of 3% to stand at 3.99%. 3.99% are attributable to him. Voting rights attributed to him are held via the following entities controlled by him, whose share of voting rights in SUSS MicroTec AG amounts in each case to 3% or more: Sterling Strategic Value Limited, Tortola, British Virgin Islands.

On December 20, 2007, Sterling Strategic Value Limited, Tortola, British Virgin Islands gave notification that its share of voting rights in SUSS MicroTec AG had on December 19, 2007 passed the threshold of 5% to stand at 8.53%.

On December 20, 2007, Mr Tito Tettamanti, United Kingdom gave notification that his share of voting rights in SUSS MicroTec AG had on December 19, 2007 passed the threshold of 5% to stand at 8.53%. 8.53% are attributable to him. Voting rights attributed to him are held via the following entities controlled by him, whose share of voting rights in SUSS MicroTec AG amounts in each case to 5% or more: Sterling Strategic Value Limited, Tortola, British Virgin Islands.

On December 21, 2007, Global Opportunities Fund, Amsterdam, Netherlands notified the Company that the share of voting rights of Global Opportunities Fund, Amsterdam, Netherlands in SUSS MicroTec AG had on December 21, 2007 fallen below the thresholds of 5% and 3% and amounted to 0.00%.

On December 21, 2007, Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands notified the Company that the share of voting rights of Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands in SUSS MicroTec AG had on December 21, 2007 fallen below the thresholds of 5% and 3% and amounted to 0.00%.

On December 21, 2007, Global Opportunities (GO) Capital Asset Management N.V., Amsterdam, Netherlands notified the Company that the share of voting rights of Global Opportunities (GO) Capital Asset Management B.V., Amsterdam, Netherlands in SUSS MicroTec AG had on December 21, 2007 fallen below the thresholds of 5% and 3% and amounted to 0.00%.

On February 22, 2008, Sterling Strategic Value Limited, Tortola, British Virgin Islands gave notification that its share of voting rights in SUSS MicroTec AG had on February 19, 2008 passed the threshold of 10% to stand at 10.34%.

On February 22, 2008, Mr Tito Tettamanti, United Kingdom gave notification that his share of voting rights in SUSS MicroTec AG had on February 19, 2008 passed the threshold of 10% to stand at 10.34%. 10.34% are attributable to him. The voting rights attributed to him are held via the following entities controlled by him, whose share of voting rights in SUSS MicroTec AG amounts in each case to 3% or more: Sterling Strategic Value Limited, Tortola, British Virgin Islands.

(41) Release of the financial statements

The Management Board of SUSS MicroTec AG has released the IFRS consolidated financial statements for perusal by the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

Garching, March 10, 2008

The Management Board

Dr. Stefan Schneidewind

Michael Knopp

Auditor's Report



We have audited the consolidated financial statements prepared by the Süss 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 report on the position of the Company and the Group for the business year from January 1 to December 31, 2007. 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 12, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
Accountant

Jenuwein
Accountant

+ 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 front-end 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 one sees 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 billionth 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.

+ Financial Calendar 2008

March 28	Annual Report 2007
May 06	Quarterly Report 2008
May 07	DVFA Analyst Conference, Frankfurt am Main, Germany
June 19	Annual General Meeting
August 12	Semiannual Report 2008
November 05	Ninemonth Report 2008

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