

Annual Report 2006



Contents

Key figures
Segments

Foreword

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

06 Highlights 2006

Investor Relations

- 10 The SUSS MicroTec Share
- 12 Corporate Governance Report

About us

- 18 SUSS MicroTec Products
- 20 Simply SUSS
- 24 Trends and Perspectives

Management Report

- 28 Group Structure and Business Activities
- 29 Management Control, Objectives and Strategy
- 30 Research and Development
- 32 Overview of Business Development
- 37 Earnings, Assets and Financial Position
- 42 Information in accordance with § 315 Section 4 HGB
(German Commercial Code)
- 43 Disclosure of the Remuneration
- 43 Summary Statement on the Economic Position
- 44 Environment
- 44 Events After the Balance Sheet Date
- 44 Risk Report
- 46 Prognosis Report
- 51 Statement on the Projected Development of the Group
- 51 Forward-Looking Statements

Consolidated Financial Statements

- 52 IFRS – Consolidated Statement of Income
- 53 IFRS – Consolidated Balance Sheet
- 54 IFRS – Consolidated Statement of cash flows
- 56 IFRS – Consolidated Statement of Shareholders' Equity
- 58 Fixed Asset Schedule (2006)
- 60 Fixed Asset Schedule (2005)
- 62 Segment Information by Business Segment
- 62 Segment Information by Region
- 64 Notes
- 103 Auditor's Report

Service

- 104 Glossary
- Financial Calendar
- Contact

Visions and Values

SUSS MicroTec – Shaping the Future

Almost everyone comes into contact at least once a day with a product that was manufactured with SUSS MicroTec expertise. We are one of the leading special equipment suppliers for the chip and microsystems technology industry. Whether automotive, computer and accessories, entertainment and communications electronics, medical technology or complex networks, semiconductors and microsystems technology (MEMS) are at the heart of all these devices and applications. They make our everyday life more communicative, convenient and safe.

We help to ensure that our world, now fully electronic, continues to function. Equipment from SUSS MicroTec makes it possible to manufacture more, and more powerful, chips at lower cost. We enjoy an excellent reputation in our markets and in our trusting and expanding customer relations. SUSS core technologies, such as Advanced Packaging and Wafer Bonding, have great growth potential. Cooperation with prominent partners such as IBM opens up additional sales and development opportunities for us.

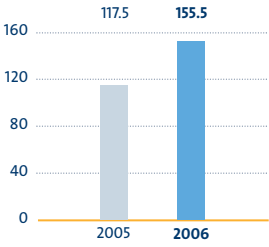
SUSS is securing its future business success through innovative research and development activities. Our traditionally high share of sales in scientific facilities and universities ensures that we are in tune with the market, making SUSS an active co-designer of market trends, which we then convert into sales and market share.

Shaping the future today – with SUSS MicroTec technology.

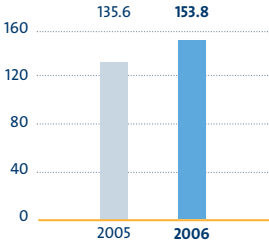
SUSS MicroTec Key Figures

in Euro million	2006	2005	Change
Sales and orders position			
Order entry	153.8	135.6	13.5%
Order backlog as of 31/12	78.5	85.1	-7.7%
Total sales	155.5	117.5	32.3%
<i>Sales Europe</i>	43.2	41.6	3.9%
<i>Sales North America</i>	47.7	42.1	13.2%
<i>Sales Japan</i>	17.1	7.7	>100%
<i>Sales Rest of Asia</i>	47.2	26.1	80.6%
<i>Sales Rest of world</i>	0.3	0.0	N/A
Sales margin	9.6%	-7.0%	-
Gross profit	69.6	47.0	48.3%
Gross margin	44.8%	40.0%	-
Costs of sales	85.8	70.6	21.7%
R&D costs	9.5	9.0	5.6%
EBITDA	22.2	5.8	>100%
EBITDA margin	14.3%	4.9%	-
EBIT	16.0	-4.2	>100%
EBIT margin	10.3%	-3.6%	-
Earnings after tax	14.9	-8.2	>100%
Earnings per share	0.88	-0.52	>100%
Balance sheet			
Shareholders' equity	99.2	84.2	17.8%
Equity ratio	63.0%	53.5%	-
Return on equity	15.0%	-9.8%	-
Balance sheet total	157.3	157.3	0.0%
Net cash	14.7	7.5	94.6%
Free cash flow	7.2	1.9	>100%
Other key figures			
Investments	7.3	6.0	21.4%
Investment ratio	4.7%	5.1%	-
Depreciation and amortization	6.1	10.0	-38.7%
Employees as of 31/12.	760	674	12.8%

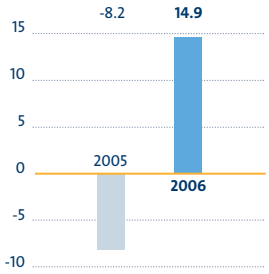
Group Sales
in Euro million



Order Income
in Euro million



Earnings after Tax
in Euro million



Segments

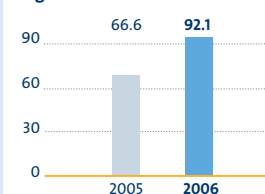
Key Figures
Segments

Lithography



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

Segment Sales in Euro million

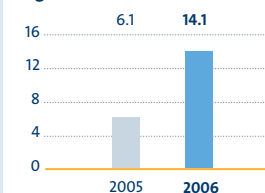


Substrate Bonder

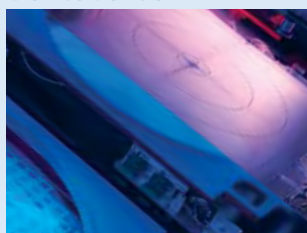


Development, production and distribution of Substrate Bonder, which connects two or more carrier materials (substrates) – usually wafers – with each other. Currently in the market penetration phase. Applications for wafer bonding will increase in the future. Targeted market: microsystems technology.

Segment Sales in Euro million

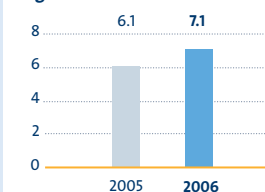


Device Bonder



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

Segment Sales in Euro million

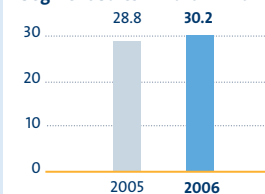


Test Systems

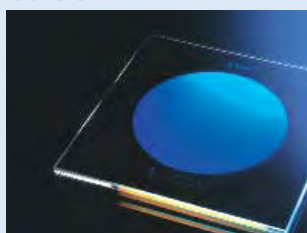


Development, production and distribution of testing and measurement tools. Low level of cyclical business development, moderate but sustained growth. This segment represents approximately one-fourth of the business volume of the SUSS Group. Targeted markets: microsystems technology, compound semiconductors,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

Segment Sales in Euro million

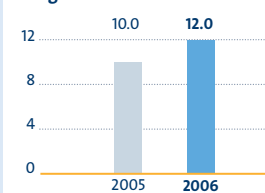


Others



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

Segment Sales in Euro million





From left to right:
Dr. Stefan Schneidewind, Chief Executive Officer
Stephan Schulak, Chief Financial Officer

Foreword by the Management Board

Dear Shareholders, Employees and Business Associates of SUSS MicroTec AG,

Fiscal year 2006 was, in many respects, a very positive one for our company. The most important news is that SUSS MicroTec returned to profitability in 2006, based on both EBIT and after-tax results, for the first time in five years. The restructuring and strategic reorientation of the past several years has brought us the success we were looking for in every respect, and will enable SUSS MicroTec to continue this value-enhancing trend over the long term. Our new cost structure and the break-even model have proven their functional capability, while other key financial figures also developed positively in 2006. Market development is likewise a picture of confidence: the most important sales sectors of SUSS MicroTec are currently very dynamic and our products are still in demand. The progress made in the new C4NP technology is also opening up additional, attractive growth opportunities for our company. And finally, 2006 also demonstrated how our strategy has been rewarded by the capital market: the SUSS share developed better than the already excellent stock market environment.

In 2006 we achieved EUR 155.5 million in sales, 32 percent more than in the previous year (EUR 117.5 million). Our sales forecast of at least EUR 150 million submitted during the course of the year was exceeded. Order entry, the most important performance indicator in our industry, was at EUR 153.8 million in 2006, 14 percent more than in the previous year (EUR 135.6 million). Customer demand in the Lithography and Substrate Bonder segments was particularly pleasing, while the margin situation also improved. The order backlog was at EUR 78 million on December 31, 2006 (previous year EUR 85 million). Our sales "pipeline" for 2007 is therefore also well stocked.

The results we have produced represent a milestone for us. The break-even based on operating results – which was again unsuccessful the previous year due to exceptional circumstances – was achieved in 2006: EBIT amounted to EUR 16.0 million (previous year minus EUR 4.2 million). We were thus able to meet our forecast for an EBIT margin of at least ten percent as well; in 2006 the EBIT margin amounts to 10.3 percent.

It is the intention of SUSS MicroTec over the coming years to prove that the company is able to grow profitably over the long term. As one of the leading special equipment suppliers for the chip and microsystems technology industry, we profit from the uninterrupted upward trend in major markets. Modern life is no longer imaginable without chips and microsystems (MEMS): entertainment and communications electronics, automotive technology, computers and accessories, medical technology – all of these areas function using modern chips and microsystems. SUSS MicroTec meets important customer demands by means of its product and solutions portfolio. Thanks to SUSS MicroTec equipment, semiconductors are now also available in increasingly large quantities and with greater efficiency, ongoing miniaturization and increased environmental compatibility – all at competitive prices. SUSS MicroTec's core technologies, such as Advanced Packaging and Wafer Bonding, continue to have considerable growth potential. The first C4NP unit for fully automatic mass production at IBM in the USA is currently being installed. It is expected to go into production in 2007. From this point onward, C4NP has the potential to gain a significant share of the wafer bumping market. Potential customers have already expressed strong interest.

The year 2007 is expected to be another good one for SUSS MicroTec. We anticipate sales to range within at least the same high level of 2006 and the EBIT margin to again be at least 10 percent.

We would like to thank our shareholders, employees, customers and business partners for the confidence they have shown in us. We are aware that this confidence must be actively reaffirmed every day in the future of SUSS MicroTec through a continuous increase in corporate value, secure jobs for the future and, last but not least, excellent products.

Garching, March 2007



Dr. Stefan Schneidewind
Chief Executive Officer



Stephan Schulak
Chief Financial Officer



Dr. Winfried Süss, Chairman of the Supervisory Board

Report of the Supervisory Board

Dear Ladies and Gentlemen,

The Management Board kept the Supervisory Board up to date in fiscal year 2006 through ongoing written reports as well as in five joint meetings. The communications were both timely and comprehensive and pertained to the course of business and planning on the part of both the Company and the SUSS MicroTec Group. The Supervisory Board also discussed critical management matters with the Management Board. The Supervisory Board advised the Management Board regarding the above-mentioned matters and monitored its management activities. Within this context, in its meetings dated March 27, June 19, September 26 and December 18, 2006, the Supervisory Board thoroughly discussed with the Management Board any divergences from planning that cropped up in the actual course of business, including order entry and the primary reasons for these divergences. The Management Board informed the Supervisory Board regarding significant business events, the various circumstances about which they are required to report the measures taken for risk management as well as any business risks that had become known.

In its meeting of March 27, 2006, in addition to the annual financial statements of 2005, the Supervisory Board concerned itself mainly with the preparations for the Shareholders' Meeting of June 20, 2006, the conversion of the accounting system to IFRS and the development of the Device Bonder and used machinery business.

In the meeting of June 19, 2006, in addition to the current reporting of the Management Board, the discussions centered primarily on a report by the Chief Executive Officer regarding a strategy project initiated by the Management Board.

Another Supervisory Board meeting took place on June 20, 2006. During the meeting, the Supervisory Board confirmed its chairman, elected Mr. Gerhard Rauter as the deputy chairman and sorted out the arrangement of the committees.

The main points under consideration by the Supervisory Board on September 26, 2006 were again the ongoing business development of the SUSS Group and the progress of the strategy project carried out by the Management Board. The C4NP project, the price development of the SUSS share and personnel matters were also dealt with.

On the other hand, the focal point of the Supervisory Board discussions in the December 18, 2006 meeting were the outlook for the 2006 annual financial statements and corporate planning for 2007. The board also addressed the declaration of compliance with the Corporate Governance code at this meeting.

At the close of the Shareholder's Meeting of June 20, 2006, deputy chairman Mr. Thomas Schlytter-Henrichsen resigned from his position on the Supervisory Board. The Supervisory Board thanked him for his many years of dedicated collaboration on the Supervisory Board and in various committees. The SUSS Group is grateful to Mr. Schlytter-Henrichsen for his many valuable recommendations and suggestions. On June 20, 2006 the Shareholders' Meeting elected Mr. Gerhard Rauter, Dresden, to replace Mr. Schlytter-Henrichsen as a member of the Supervisory Board.

The personnel committee of the Supervisory Board, of which Dr. Süß is chairman and to which Messrs. Rauter and Görtz belong, held four meetings, wherein it turned its attention to personnel matters of the Management Board, prepared the decisions of the Supervisory Board in personnel matters and reported to the overall Supervisory Board on the results of its deliberations.

The Audit Committee of the Supervisory Board, of which Mr. Heinz is chairman and to which Dr. Schücking and Dr. Süß also belong, concerned itself in one meeting during the fiscal year with, among other things, the issues of assignment of the auditor, the independence and remuneration of the auditor, as well as the conversion to IFRS and the balance sheet structure. The Audit Committee prepared the decision of the Group Supervisory Board in these matters and informed the Group Supervisory Board of the results of its deliberations.

The meetings of the committees of the Supervisory Board took place partly in the form of teleconferences.

In its meeting of December 18, 2006 the Supervisory Board again reviewed the efficiency of its activities with respect to Item 5.6 of the Corporate Governance Code. During fiscal year 2006, no conflicts of interest between members of the Supervisory Board and the Company became evident during the work performed by the Supervisory Board.

The annual financial statements as of December 31, 2006, which were prepared in accordance with the provisions of the German Commercial Code, the consolidated financial statements of the Company as of December 31, 2006, prepared in accordance with the IFRS international accounting standards, and the management report and the Group management report of the Management Board for fiscal year 2006 were audited by the auditors elected by the Shareholders' Meeting and commissioned by the Supervisory Board – KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft (auditing company), Munich – and given unqualified audit certificates.

The Supervisory Board has reviewed the annual financial statements of the Company as of December 31, 2006 that were 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, 2006 that were prepared pursuant to § 315a of the German Commercial Code according to the IFRS international accounting standards, the management report and the Group management report for fiscal year 2006. The two responsible accountants of the auditors took part in the negotiations of the Supervisory Board regarding the above mentioned documents. They informed the Supervisory Board verbally of the key results of their audit. The Supervisory Board has discussed the above-mentioned documents and the findings of the auditors with 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 reviewed. According to the Supervisory Board, there are no objections to be made to the audit reports. The annual financial statements of the Company as of December 31, 2006 are thereby approved. The Supervisory Board is in agreement with the management report for fiscal year 2006. In its review of the management report and the Group management report for fiscal year 2006, the Supervisory Board also paid particular attention to the completeness and content of the information as prescribed in §§ 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 fiscal year 2006, all of which contributed significantly to the success of the SUSS Group.

Garching, March 2007

The Supervisory Board

Dr. Winfried Süß
Chairman

Highlights 2006

First Quarter

Substrate Bonder Segment Receives Award

In March SUSS MicroTec received an award from Analog Devices, a worldwide leading MEMS manufacturer, for its contributions to a special project. The Analog Devices' 2005 Supplier Excellence Award distinguished the Substrate Bonder division of SUSS MicroTec, Waterbury, USA, for its outstanding achievements. Additional awards were received by Applied Materials, LAM Research and TSMC, among others.

The people at Innovative MicroTechnology (IMT) are also convinced of the advantages of the SUSS MicroTec Substrate Bonder. IMT is a leading MEMS foundry, which produces and delivers over a million microsystems each week. This type of high-volume production alone signifies the importance of high yield and thus of precision and reliability. After IMT had experienced the quality and flexibility of the SUSS MicroTec-Substrate Bonder, a follow-up order was placed. This second system was already installed in March in Santa Barbara, California.

Second Quarter

C4NP: Reliability Testing Successfully Completed

In May the initial reliability tests undertaken by IBM for 300mm lead free C4NP solder-bumped wafers was successfully completed. No failures could be attributed to the C4NP process.

C4NP stands for Controlled Collapse Chip Connection – New Process and is the next generation of wafer bumping technology developed by IBM. Pioneered by IBM, C4NP is a breakthrough in wafer solder bump technology, an Advanced Packaging technique that places pre-patterned solder balls onto the surface of a chip. C4NP is a simple and cost-effective alternative to the expensive and difficult electroplating process. Bulk solder is injection molded into glass molds and subsequently transferred from mold to wafer in a single step. C4NP combines the simplicity and cost effectiveness of solder paste printing with the fine-pitch capabilities of electroplating and is a key enabler of 300mm lead-free solder bumping.

SAIT Researches with SUSS-Mask Aligner for Samsung

In June, SAIT (Samsung Group's central R&D organization) purchased a SUSS "MA200Compact" Mask Aligner for its central research facility in Korea. SAIT will use the production aligner from SUSS MicroTec for various R&D projects, such as the fabrication of MEMS and display devices.

In recent years SAIT has emerged as the main technology driver behind the global Samsung organization. In order to meet the tough quality demands made on the top-class R&D facility, SAIT has to rely on equipment that combines superior product performance and an attractive cost of ownership with the flexibility to serve different markets and applications. The MA200Compact from SUSS MicroTec perfectly suits those needs, which is why SAIT employs SUSS MicroTec-equipment.

Third Quarter

Substrate Bonder – A Very Good Outlook

The Substrate (or Wafer) Bonder segment is developing very well with much success anticipated. Wafer Bonders are used in the MEMS market. Examples of end products include sensors for airbags, GPS systems, tire pressure, parking assistance, rain sensors and stability systems in cameras, cell phones and mobile game consoles. In addition to these, there are many other applications for use in microsystems, such as rear projection video projectors (beamers), inkjet print heads and biochips. In the manufacture of these sensors, SUSS MicroTec Wafer Bonders are utilized in mass production.

In the Wafer Bonding process, one option is that two wafers are aligned very precisely and then "bonded" to each other. This process is required in the production of microsystems, in order to produce hollow spaces in which mechanical parts can move. The other option is to align a processed wafer to a glass plate and then "bond" it to the plate. In this case, the glass plate serves as a type of cover for the microsystem.

Wafer Bonders from SUSS MicroTec are also used in leading research and development institutes. Customers such as Nano-world and Micralyne are technology leaders in microsystems technology. With customers such as these, SUSS MicroTec keeps

in tune with the market and thus has an opportunity to play a role in the future of Wafer Bonding. Through close collaboration with these research and development institutes, we learn about the future needs of our production customers and how to satisfy them.

The new M-Lock Wafer Bonder, introduced at the SEMICON West trade show in July, was developed with these factors in mind. The special feature of this device is a vacuum lock that removes as many of the contaminations as possible from the wafers to be processed. This is extremely important in microsystems production, since every impurity reduces the production yield. Production devices must therefore achieve the highest possible yields. The state-of-the-art M-Lock wafer bonder was welcomed by our customers with equal enthusiasm. SUSS MicroTec is expecting a significant increase in business volume in this segment over the next several years.

First-Class Service – Satisfied Customers – Testing Systems Extremely Successful

Satisfied customers are essential to success in the market. Each year, VLSI Research Inc. conducts a survey in the semiconductor industry. The answers to the survey then determine the equipment suppliers with the greatest customer satisfaction in various categories.

SUSS has been among the winners for many years now. The same is true again this year, with an outstanding first place in the “Material Handling Equipment” category and seventh place in the “Best Wafer Processing Equipment – Small Suppliers” category.

The “Material Handling Equipment” category primarily includes SUSS MicroTec’s test and measurement systems. This segment introduced a new product to the market during the summer: the Blue-Ray Probe System, a wafer prober that can test up to 70,000 chips per hour. This speed is particularly important when testing LEDs and offers cost advantages: there are tens of thousands of LEDs on a single wafer. Another special feature of the Blue-Ray Probe System is that it can be set up for customers who have a semi-automatic or a fully automatic system. In this way, the device can “grow along with” the production needs of our customers. This makes it extremely efficient and attractive – particularly for our Asian clients.

Fourth Quarter

SUSS MicroTec Products in Demand

Also in the fourth quarter SUSS had the opportunity to announce order entries from well-known and strategically important customers:

OSRAM Opto Semiconductors, one of the leading suppliers of innovative lighting solutions. OSRAM has placed additional follow-on orders for SUSS “LithoFab200” Clusters, which are specifically used in volume production for the manufacturing of High Brightness/High Power Light Emitting Diodes (LEDs).

The HB-LED is often regarded as the first truly innovative type of lamp invented over the past three decades. In recent years HB-LEDs have entered into many consumer products such as televisions, PC displays, digital cameras, cell phones, automobiles and traffic lights, while remarkable progress in LED efficiency, lifetime and total lumen output has opened up the possibility of using LEDs as sources of general lighting.

Amkor Technology, Inc. Singapore continues expansion of 300mm wafer bumping capacity with SUSS MicroTec lithography solutions. Amkor is one of the leading wafer bumping foundries. Decisive factors for foundries like Amkor are cost advantages, flexibility and ease of use for different wafer level packaging technologies. The “MA200 Plus” (Mask Aligner) and the “ACS300 Plus” (Coating Cluster equipped with the patented GYRSET technology) meet these high requirements. This is why follow-on orders are placed.

It's hard to imagine that just a few years ago you had to stand in line to make a telephone call, rummage around for coins and then sweat it out in the cramped telephone booth. And how often was it that you ran out of change before you were finished with the call, or that the person you were calling did not pick up and shortly afterwards you had to look around again for the next available public telephone?

Back then – Standing in line and sweating





Today – Walking and talking

Today the majority of people have cell phones, and that means making phone calls when and where one wants to – without any loose change or a chip card, without penetrating glances from the waiting queue. And because cell phones can do more for us thanks to increasingly efficient chips, you can send your girlfriend a snapshot of her new heartthrob. And it's no longer a dream of the future that cell phones that can be used to play current hits and watch TV.



The SUSS MicroTec Share

Stock Markets on an Upward Trend Worldwide

Within the scope of the favorable global economic environment, the stock markets experienced overall positive development in 2006. After the significant setbacks in the first half of the year a steady upward trend occurred in the second half. Important leading indexes even reached their highest levels in many years. The driving forces behind the increased listings included, among other things, a temporary breather in raw material prices, consistently good to excellent year-end closings for important listed companies worldwide, and the wave of acquisitions and mergers, which reached a new peak level in 2006.

All important indexes recorded price markups: while the annual plus of the Japanese index Nikkei 225 brought up the rear with 5.7 percent, the Dow Jones advanced by 16.3 percent and the Euro STOXX 50 by 15.1 percent. The important comparison index for SUSS MicroTec, the TecDAX, recorded a plus of 25.5 percent from an annual perspective. The German stock index (DAX) closed at year-end with 6,596 points – an increase of 22 percent. Since the earnings of German stock corporations also grew sharply in 2006, and as some companies are showing historically high cash flows, the German stock market continues to be attractive for investor equity capital; the price-earnings ratio of many listed companies is still below long-time average values.

The SUSS MicroTec AG Share Up 50 Percent

The SUSS MicroTec share overshadowed all of the relevant comparison indexes in 2006. Neither the TecDAX nor the industry index Prime Industiral (plus 18.6 percent) could match the dynamics of the SUSS MicroTec share. The opening price on January 2, 2006 (EUR 4.67) compared with the last trading day's price of EUR 6.95, creating an annual plus of 48.8 percent. The stock reached a level of over EUR 9.00 in May, the interim peak level for the year.

The restructuring and reorganization of SUSS MicroTec carried out and completed over the last several years was apparently considered a success by the capital market. The Company was also able to profit from the dynamic market for semiconductors

and microsystems connections. Manufacturers worldwide want to meet customers' needs for ever smaller and more powerful electronic devices, such as cell phones and laptops, and to do this they require even more powerful equipment for chip production. SUSS is a technology leader in this area and has very good opportunity for growth due mainly to the C4NP technology which was developed in cooperation with IBM.

The average daily sales of the SUSS MicroTec share was approximately 98,147 units on all German stock exchanges in 2006. Tradability is thereby guaranteed for institutional investors as well. A total of almost 24.6 million shares changed hands.

Impressive Investor Relations Work

The management of SUSS MicroTec AG placed a great deal of value on intense investor relations work in 2006. The Management Board and those responsible for investor relations actively sought discussions with the operators in the capital market. Over the course of the entire year, close contact was maintained with investors, analysts and representatives of the commercial press.

Road shows, investor conferences and numerous individual meetings at various financial locations in Germany, Great Britain, Austria, France and Switzerland enabled SUSS MicroTec to explain the current business trend and the positive outlook for the future to an interested professional audience. The Company in turn gained valuable insight into how to further optimize its capital market communications from feedback, questions and criticism from the financial community. There are currently seven banks and research establishments that publish studies about our Company on a regular basis. Our investors can find the current status of the analyses at www.suss.com.

SUSS MicroTec was especially motivated to continue its intensive IR work by being presented with the League of American Communications Professionals Award (LACP), in San Diego, USA. The 2004 annual report was distinguished a number of times and the annual report for 2005 was awarded the distinction of "Platinum" in its class.

To ensure that the share price continues its positive trend, to broaden the shareholder base with both institutional and private investors and to increase analyst coverage, SUSS MicroTec AG will remain committed to continuing its open dialog with the financial community in 2007. The medium to long-term goal of SUSS MicroTec is to move up to the TecDAX.

Thanks to the Shareholders

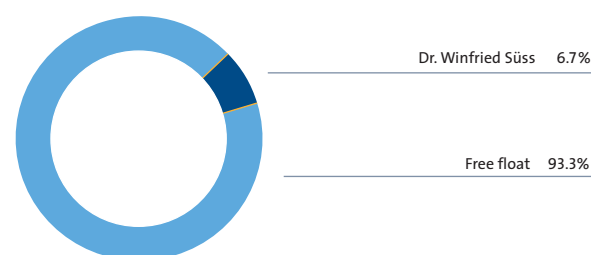
We would like to thank all of our shareholders and investors for the trust they have placed in our Company. We will gladly allow our shareholders and all other interested parties to inspect at any time the public documents that provide information about the value and future perspectives of SUSS MicroTec AG. Information about the Company shares and Shareholders' Meeting, our corporate reports, our directors' dealings and the financial calendar are continuously kept up to date on our website at www.suss.de in both German and English. Upon request, we will also send you current information via e-mail or regular mail as well.

Key Share Data

Security identification code	722670
ISIN	DE0007226706
RIC	SMHG.F
Bloomberg code	SMH GR
Shares issued (as of Jan. 29, 2007)	17,006,926
Share price in Euro as of Jan. 1, 2006	4.67
Closing price 2005 in Euro	6.95
Year-on-year performance	48.8%
Average trading volume/day 2006	98,147
IPO May 18	18.05.1999
Designated sponsors (since 01/01/06)	HSBC Trinkaus & Burkhardt
Yearly high/low	9.05/4.67

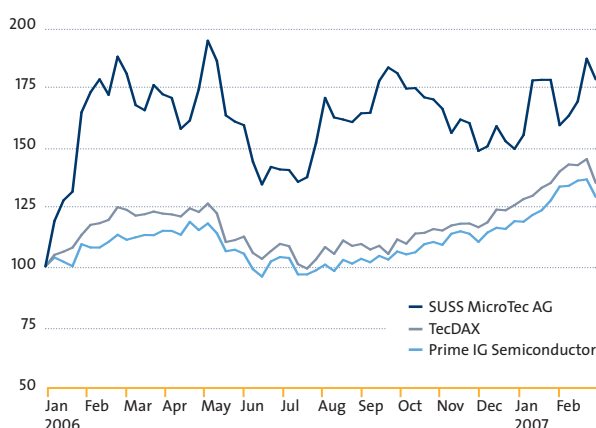
Shareholders' Structure as of 12/31.2006

in %



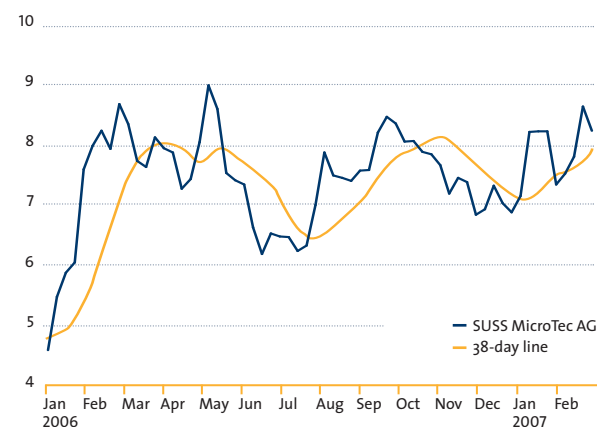
SUSS MicroTec Share Indexed

(TecDax, Prime IG Semiconductor)



SUSS MicroTec Share in Euro

(38-day line)



Corporate Governance Report

The goal of corporate governance regulations is good, responsible company management that is transparent for the shareholders and the public. The Management Board and Supervisory Board of SUSS MicroTec AG actively implement the standards of this set of regulations and view the German Corporate Governance Code as an important component of the corporate culture. As early as 2002 a Corporate Governance Officer who reports directly to the Management Board and Supervisory Board was appointed. Since that time, corporate governance has been reviewed and further developed at regular intervals within SUSS MicroTec AG.

The Management and Supervisory Boards report on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code (GCGC) as follows:

A. Declaration of Compliance

The Corporate Governance Code currently contains more than 70 recommendations. According to § 161 of the Aktiengesetz (AktG, German Stock Corporation Law), companies must submit an annual declaration of any deviations from these recommendations.

The Management and Supervisory Boards submitted the declaration of compliance according to § 161 AktG on December 19, 2005 and explained that the recommendations of the German Corporate Governance Code (GCGC) in its version of June 2, 2005 were complied with, with two exceptions (the deductible for the D&O insurance and the results-oriented remuneration of the Supervisory Board). The Management and Supervisory Boards submitted the declaration of compliance according to § 161 AktG and explained that the recommendations of the German Corporate Governance Code in its version of June 2, 2005 or after the version of June 12, 2006 went into effect, have been and are being complied with except for the two exceptions mentioned above. The declaration of compliance can be found on the Internet at www.suss.com.

According to this declaration, SUSS MicroTec AG complies with the recommendations of the German Corporate Governance Code and will presumably comply with them in the future as well – with the following two exceptions (there were no changes compared to the previous year):

The German Corporate Governance Code recommends in **Item 3.8**, when taking out Directors and Officers Liability Insurance, that a suitable deductible be stipulated for the executive bodies

of the AG. SUSS MicroTec AG has already had D&O insurance for several years without any executive Group-specific deductible. In the opinion of SUSS MicroTec, stipulating an appropriate deductible will not further promote the responsible activities of all executive bodies. There are therefore no plans to implement any stipulation for a Group-specific deductible.

In **Item 5.4.7** the German Corporate Governance Code recommends a performance-based remuneration of Supervisory Board members as well as remuneration for membership in and chairing of committees. Remuneration of the Supervisory Board members is laid down in Article 13 of the articles of incorporation. At present, the articles of incorporation of SUSS MicroTec AG do not provide for any performance-based remuneration of the Supervisory Board. Membership in committees is accounted for by paying a meeting attendance fee for participating in the committee meetings. Serving as the chairman of a committee is not separately compensated. The Management and Supervisory Boards feel that the activities of the Supervisory Board members are overall adequately compensated.

Companies may also deviate from the suggestions of the German Corporate Governance Code without being obligated to make a statement. We enable our shareholders and the public to have the greatest possible transparency and therefore also comment on the implementation of the suggestions. SUSS MicroTec AG will observe the suggestions of the GCGC with the following exceptions:

- Notwithstanding the suggestion in Item 2.3.3 Clause 3 of the GCGC, the proxy cannot be reached during the Shareholders' Meeting, since this cannot be guaranteed with the legally required level of safety at a justifiable financial expense.
- Notwithstanding Item 2.3.4 GCGC, the Shareholders' Meeting cannot yet be followed via 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, Item 3.6 Para. 1 GCGC.
- Notwithstanding the suggestion in Item 5.4.6 GCGC, the terms of office of the members of the Supervisory Board do not expire on different dates.

- The Supervisory Board does not receive any remuneration component based on the long-term success of the Company (suggestion in Item 5.4.7 Para. 2 Clause 2 GCGC), but rather a fixed remuneration. If it is to carry out its monitoring functions purposefully and independently, the Supervisory Board feels that remuneration given based on the success of the Company will not yield the desired results.

This year again, the Supervisory Board and the Management Board of SUSS MicroTec AG will submit a declaration of compliance according to the Code as it currently stands.

B. Independence of the Members of the Supervisory Board

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

C. Remuneration of the Members of the Supervisory Board

In fiscal year 2007 SUSS MicroTec AG paid the following remunerations to the members of the Supervisory Board for fiscal year 2006:

	Remuneration according to § 13 Para. 2 Clause 1 and Para. 3 of the articles of incorporation in EUR	Remuneration according to § 13 Para. 2 Clause 3 and Para. 3 of the articles of incorporation in EUR	Reimbursement of expenses and VAT, etc. (§ 13 Para. 4 of the articles of incorporation) in EUR
Dr. Winfried Süß	45,000.00	10,500.00	1,152.29 and 10,545 VAT minus 2,353.00 D&O insurance = 9,344.29
Gerhard Rauter*	11,250.00	6,000.00	1,549.87 minus 588.50 D&O insurance = 961.37
Dr. h.c. Horst Görtz	15,000.00	10,500.00	3,554.62 plus 4,845 VAT minus 785.00 D&O insurance = 7,614.62
Peter Heinz, MBA	15,000.00	7,500.00	11,294.05 minus 6,750.00 VAT and 785.00 D&O insurance = 3,759.00
Prof. Dr. Anton Heuberger	15,000.00	7,500.00	2,581.96 plus 4,275 VAT minus 785.00 D&O insurance = 6,071.96
Thomas Schlytter-Henrichsen**	11,250.00	3,000.00	990.32 plus 2,707.50 VAT minus 588.50 D&O insurance = 3,109.32
Dr. Christoph Schücking	15,000.00	7,500.00	537.82 plus 4,275.00 VAT minus 785.00 D&O insurance = 4,027.82

* as of June 20, 2006

** until June 20, 2006

In addition to the above, the members of the Supervisory Board have with one exception received no remuneration or benefits for personally rendered services, in particular for consulting or mediating services. The attorneys' society CMS Hasche Sigle, of which Supervisory Board member Dr. Christoph Schücking is a partner, received a total of EUR 22,886.09 in the fiscal year just ended for its consulting services for companies of the SUSS MicroTec Group. For further particulars we refer you to the Related parties in the Notes.

D. Basic Principles of the Management Board Remuneration System

The Personnel Committee of the Supervisory Board determines the Management Board remuneration. The Supervisory Board plenum discusses and reviews the remuneration structure on a regular basis. If the members of the Management Board receive remuneration from assignments at Group companies, such remuneration is to be paid over to the Company. Remuneration from assignments in companies outside of the Group, which are accepted with the consent of the Supervisory Board, shall remain with the respective member of the Management Board in the full amount.

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

The amount of fixed pay is determined first and foremost by the roles and responsibilities assigned; it also includes fringe benefits in the form of a company car and subsidies for health insurance and for unsolicited old-age insurance. 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 been made for members of the Management Board. From January to August 2006, SUSS MicroTec assumed the costs accruing to Dr. Schneidewind during the course of his maintenance of two households. Further non-cash benefits were not granted.

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

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

E. Disclosure of the Remuneration of the Management Board

SUSS MicroTec AG paid the following remunerations to the members of the Management Board in fiscal year 2006:

	Base salary in EUR*	Annual bonus 2005 in EUR	Stock options (pieces)	Other expense in EUR	Old-age pension expense in EUR
Dr.-Ing. Stefan Schneidewind	276,501.99	81,605.69	40,000	6,142.56**	2,148.00
Stephan Schulak	225,516.00	65,284.55	40,000	6,142.56** 241,666.50***	2,148.00

* Each base salary includes fringe benefits in the form of a company car and subsidies for health insurance

** Subsidies for unsolicited old-age insurance

*** Partial amount of the severance payment

Mr. Schulak will be resigning his post as a member of the Management Board with effect from March 31, 2007. A severance payment in the amount of EUR 483,333.00 is due to Mr. Schulak upon termination of his engagement with the Management Board; in the context of this agreement Mr. Schulak waived a total of 80,000 stock options. Half of this amount was already paid out in fiscal year 2006, while a provision has been created from the other half. Provisions of EUR 91,668.00 for Dr. Schneidewind and EUR 66,668.00 for Mr. Schulak were created for the 2006 annual bonus.

EUR 24,291.00 has been reserved for pension obligations toward former members of the company's Management Board.

F. Directors' Dealings and Shareholdings of Officers and Persons Closely Associated with Them

As of December 31, 2006 the members of the Management Board and Supervisory Board as well as persons closely associated with them hold shares and options on shares of SUSS MicroTec AG as follows:

- Dr. Schneidewind: together with his wife 13,278 shares. Additionally 80,000 options.
- Mr. Schulak: 25,000 shares. All options expired.
- Mr. Dr. Winfried Süß: 1,131,000 shares.
- Mr. Gerhard Rauter: 0 shares.
- Dr. h.c. Horst Görtz: 17,216 shares.
- Mr. Peter Heinz: 1,338 shares.
- Mr. Prof. Dr. Anton Heuberger: 0 shares.
- Mr. Dr. Christoph Schücking: 500 shares.

In accordance with § 15a WpHG (Securities Trading Law), the Company has been advised of the following acquisitions and disposals of SUSS shares by officers and persons closely associated with them in fiscal year 2006 as of December 31, 2006.

- Dr. h.c. Horst Goertz: purchase of 2,000 SUSS shares at a total price of EUR 13,200.00 on 6/20/2006, purchase of 1,322 SUSS shares at a total price of EUR 6,213.40 on 8/26/2006.

- Dr. Stefan Schneidewind: purchase of 20,208 SUSS shares for a total price of EUR 69,515.52 (exercise of stock options) on 11/8/2006; sale of 2,000 SUSS shares for a total price of EUR 14,600.00 on 11/13/2006; sale of 4,000 SUSS shares for a total price of EUR 29,200.00 on 11/14/2006; sale of 6,000 SUSS shares for a total price of EUR 44,560.00 on 11/15/2006; sale of 1,500 SUSS shares for a total price of EUR 11,550.00 on 11/16/2006.
- Stephan Schulak: purchase of 40,000 SUSS shares for a total price of EUR 137,600.00 (exercise of stock options) on 11/13/2006; sale of 28,000 SUSS shares for a total price of EUR 211,079.70 on 11/16/2006.
- Maritta Süß: sale of 147,433 SUSS shares for a total price of EUR 1,179,544.00 on May 19, 2006.

G. Stock Option Programs

I. Stock Option Plan of 1999

The Shareholders' Meeting of SUSS MicroTec AG passed a resolution on April 6, 1999 regarding a stock option plan. The options were issued to members of the Management Board, members of management and other executives of the Group companies. The number of outstanding 210,669 options under this option plan has changed during the course of the fiscal year: 142,669 options (of which 6,256 are from members of the Management Board) have expired. At the end of the fiscal year there were still 68,000 options outstanding. The exercise price is at EUR 35.44. The end of the term is in May 2007. The subscription right may be exercised by a rightful claimant if the stock exchange price of the stock exceeds the subscription price (EUR 35.44) by at least 100 percent.

II. Stock Option Plan of 2002

The Shareholders' Meeting of SUSS MicroTec AG passed a resolution on June 14, 2002 regarding a stock option plan. The options could be issued to members of the Management Board, members of management of affiliated companies within the meaning of §§ 15 ff. AktG (German Stock Corporation Law) and executives of SUSS MicroTec AG and its affiliated companies within the meaning of §§ 15 ff. AktG. The number of outstanding 269,358 options under this option plan, of which 60,208 had been issued to members of the Management Board, has changed during the course of the fiscal year as follows: 18,500 options have expired. 10,500 options, which had been issued in 2003, were exercised at a subscription price of EUR 1.11. Of the 2004 options issued, 203,458 were exercised at the subscription price

of EUR 3.44, of which 60,208 options accrued to members of the Management Board. At the end of the fiscal year there were still 36,900 options outstanding. Of those, 9,000 options can be exercised at an exercise price of EUR 1.11 by May 2009 and 27,900 options can be exercised at an exercise price of EUR 3.44 by August 2010, provided one of the following performance goals described below is achieved: (i) if the stock exchange price of the SUSS stock has increased by an average of 7.5 percent per year during the period between the issuing and the exercising of the options and the stock market price of the Company has developed equally or better than the Nemax or its successor index TecDax during this period or (ii) if the stock exchange price of the SUSS stock has increased by an average of 10 percent per year during the period between the issuing and the exercising of the options.

III. Stock Option Plan of 2005

The Shareholders' Meeting of SUSS MicroTec AG passed a resolution June 21, 2005 regarding an additional stock option plan. The options can be issued to members of the Management Board, members of management of affiliated companies within the meaning of §§ 15 ff. AktG (German Stock Corporation Law) and to executives of SUSS MicroTec AG and its subordinate affiliated companies within the meaning of §§ 15 ff. AktG. During the course of the 2006 fiscal year, 209,500 options were issued, of which 80,000 were issued to members of the Management Board. No options were exercised in the year 2006. By the end of the fiscal year, a total of 93,500 options had expired, of which 80,000 had been issued to members of the Management Board. At the end of the fiscal year, there were still 309,000 options outstanding, of which 80,000 were held by members of the Management Board. Of those, 142,500 options can be exercised by August 2010 at an exercise price of EUR 4.95 and 166,500 options can be exercised by June 2011 at an exercise price of EUR 7.53, provided one of the following performance goals described below is achieved: (i) if the stock exchange price of the SUSS stock has increased by an average of 7.5 percent per year during the period between the issuing and the exercising of the options and the stock market price of the Company has developed equally or better than the TecDax or (ii) if the stock exchange price of the SUSS stock has increased by an average of 10 percent per year during the period between the issuing and the exercising of the options.

Further details on the stock options can be found in the Notes to the consolidated financial statements.



Back then – Searching and cursing

Exasperated solo drivers try to steer and read the street map at the same time, narrowly averting a crash. Quarreling couples: “You have absolutely no sense of direction, just like a typical woman!” “Oh, is that so?! If you’d turned off before, as I suggested, we could have been there long ago.” Before there were computer and satellite-supported navigation systems in cars, every journey in a foreign city had the potential to turn into an adventure – including running late, feeling stress and risking traffic accidents.

Today, more and more motorists are ordering their cars with built-in navigation systems or upgrade to such a system later. These systems don't cost a great deal more and are very simple to use. The sensors and chips in the small on-board computer detect the current location and calculate within seconds the route to the destination address entered. These systems are practical and, above all, safe, since it has been proven that drivers who study the city map or search for street signs cause more accidents than people who concentrate completely on traffic.

Today – Planning and getting there



SUSS MicroTec Products

Coater



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

Mask Aligner



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

Substrate Bonder



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

Device Bonder



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

Developer

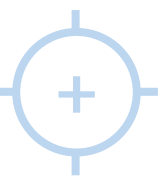


The Developer uses chemicals to dissolve away the image previously created by Mask Aligner from the photosensitive resist on the wafer. (The entire process can be compared to photography with a conventional camera: the film contains a photosensitive material, which is exposed when “snapping” the photo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

Prober



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



Simply SUSS

Comfort and Communication – SUSS Products Make Them Possible

Almost everyone everywhere in today's industrialized world comes into contact at least once a day with a product that contains components manufactured with SUSS MicroTec expertise. We are one of the leading specialized suppliers for the chip and microsystems industry. It is no longer possible to imagine modern life without this industry. Because today, almost without exception, no private household, company, means of transportation or leisure activity could exist without electronic devices. And chips, also called semiconductors or microprocessors, are at the heart of these devices. Although they are very complex technically, it is not difficult to sum up the effect they have: they make electronic devices more efficient and ever increasing new applications conceivable. SUSS MicroTec products often play a part in the manufacturing of these chips that enrich our lives a little more each year.

While today's teenagers are born into a world of cell phones, MP3 players and fully electronic cars, older generations can well remember the rapid development that took place for all of these technologies over the last 20 to 30 years. Take the late 1980s, for example: mobile telephones were as big and heavy as bricks, and only used by wealthy business people. Computers seemed to take an eternity to boot up, and outside of expert circles the Internet was strictly a dream of the future. Current hits were recorded from the radio onto an audio cassette – which usually produced poor sound quality and sometimes got chewed up during playback. And correspondence was written using a typewriter – and messy type-out fluids for correcting mistakes.

Rolling High Technology

Much has changed since then. You only need to glance at a car that comes off the assembly line today. Cost-conscious car owners and passionate tinkerers might find themselves complaining that there is basically nothing left on a modern car that a person can repair himself. The reason for this is the triumph of electronics. It turns our cars into "high-tech on wheels". But far more important is this: modern electronics make cars safer, more comfortable and more environmentally sound. A few examples: airbag sensors ensure that lifesaving airbags only open when they should – and then fast and reliably. Proximity and distance detectors help drivers enter into any parking space crash-free. ESC (Electronic Stability Control) and ABS (Anti-lock Braking

System) increase driving safety. Pressure sensors in tires indicate when more air is needed, thereby increasing mileage. Using GPS navigation systems, destinations are reached quickly and reliably. And modern fuel injection technology for engines ensures efficient and low-emission propulsion. All of these sensors contain microsystems, also referred to as MEMS. SUSS equipment is a leader in the manufacturing of these tiny electro-mechanical components.

Small Power Packs

This electronic revolution in automobile manufacturing – but also in the computer and entertainment industries as well as a number of other fields – became possible through miniaturization. Fascinatingly, while equipment and components are becoming more efficient, they are also getting smaller and lighter. Anyone who can remember groaning at the weight of a laptop ten years ago can well appreciate today's featherweights that fit into any briefcase. The demands of end users are clear: each new generation of electronic applications is expected to be more powerful than the last. And no one wants to revert back to the huge dimensions of the first "dinosaur" machines. This is precisely where SUSS MicroTec can help – with its Advanced Packaging technology.

Small, strong, reliable and low-cost – these are the features that manufacturers of cell phones, TVs, computers, etc. are looking for in chips these days. Our solution: compression. While in 1971 there were only 2,300 transistors on one semiconductor, in the 90s there were already between three and ten million. Today there are 95 million. We have been involved in the extremely precise science of nanotechnology for quite some time. One nanometer equals a billionth of a meter or a millionth of a millimeter. A normal light microscope can no longer detect such mini-structures – and the human eye cannot see any of this at all. People rejoice in the fact that today they can use their cell phones to take acceptable photos, watch good-quality movies on a laptop with a W-LAN connection while traveling, and receive the news on their cell phones.

Another mainspring for the performance explosion of chips is integration. This means, for example, that a PDA, cell phone and camera are included in one single mobile device. Three become one – no wonder that the demand for SUSS MicroTec packaging solutions is increasing year by year. The miniaturization and efficiency of our many electronic helpers will not be coming to an end any time soon.

From a Simple Disc of Silicon to a Fully Functional Device

SUSS machines are highly complex tools that in turn help to make highly complex devices. But if we take the production of a typical MEMS device, such as an airbag sensor, we can perhaps illuminate just how much SUSS goes into its development:

Silicon wafers are at the start of the production cycle – once finished the wafer will consist of hundreds or even thousands of sensors. The wafers are then given a coating of photosensitive material using a Spin or Spray Coater. When dry, the wafer is then transferred to a Mask Aligner which works almost like a camera: a pre-designed pattern (chrome lines on a glass mask) is exposed by way of light onto the photo-sensitive wafer. The areas without a pattern are then etched away to develop three-dimensional lines and grooves (Developer). These three steps are repeated many times until the required layers of electrical pathways and mechanical pieces are developed upon the wafer. At this point the wafer can be tested with a probe system to check its functionality and its parameters: Do the electrical currents flow quickly enough? Do the mechanics deploy in the correct way? It is also possible that the wafer needs to be bonded to another wafer – for instance to provide the mechanical part of the device with its own glass lid to ensure that it is protected from moisture and dust. This is done by a Wafer Bonder. If desired, the bonded wafer can then be re-tested to ensure that everything up to this stage is in full working order. Now comes the packaging stage where again Coaters and Mask Aligners are used to add packaging structures to the almost finished device. The wafers are then diced, i.e. each device is separated from each other and a Device Bonder can be used to mount the separate devices onto their carriers or onto other wafers for further processing. And because the top airbag sensor producers employ this SUSS technology, you have pretty much a 90 percent chance that the airbag in your car has been produced on SUSS equipment.

SUSS Helps Shape the Future

Shaping the future today – with technology from SUSS MicroTec. When physicists research the secrets of the universe, they need high-performance computers, ultra-strong telescopes and the most precise measuring sensors. All of these devices contain semiconductors, microsystems modules (MEMS) or optoelectronic components which can be produced and controlled by tools and equipment from SUSS MicroTec. Somewhat more down-to-earth, but important for our public safety, are biometric procedures used for personal identification or DNA analyses; in these instances too there is often “SUSS inside”.

There is also good news for people wanting to take photos with their cell phones that are as good as those from their digital cameras. Increasingly efficient chips are making this possible for the foreseeable future, and the first wave of manufacturers is already boasting that there will soon be no difference between a cell phone camera and a “digicam”.

A quick look at the booming sports supply industry shows that SUSS technology is also indirectly keeping people fit and healthy. Truly ambitious joggers can already buy running shoes with built-in sensors that measure speed and distance covered. A special chest-band warns when the pulse gets too high and, via data synchronization with the shoes, can calculate the number of calories burned. As an alternative to the chest-band, a T-shirt or sports bra with a built-in sensor can be worn. Once the jogger is back at home, the data from the equipment can easily be transferred to personal training software via an infrared connection. And for those who prefer to indulge in virtual exercise, the next generation of game consoles offers as yet unheard of services, such as “power-saving processors, tiny memory chips, sensitive sensors and brilliant displays”, as one German business magazine enthusiastically puts it. These contain highly efficient components, many of which are produced with SUSS equipment.

It is said that genius prevails over chaos – in fact, a great deal of time and money is lost due to disarray in the office or within the home workspace. Tax documents are not sent to the internal revenue service on time or the time limit for subsidies runs out without them being used. And the boss reminds you for the second time about the report, which must be around somewhere, because you know you had it in your hand yesterday.

Back then – Stockpiling and rummaging





Today – Organizing by mouse click

The clever ones let high tech work for them. High-capacity chips in a computer facilitate optimum organization and work results: writing texts, creating presentations, keeping schedules up to date, giving deadline reminders, having all your important addresses and telephone numbers handy, communicating with colleagues, customers and friends throughout the world – and in order to relax and unwind, listening to music for a bit or watching a video. All this can be done on today's laptops, which are no larger or heavier than a common business briefcase.

Trends and Perspectives

Dynamics in the SUSS Markets

As one of the leading suppliers for the chip and microsystems industry, SUSS MicroTec profits from the continued upward trend in major markets. Many of the attractive growth markets have only been able to develop as a result of chips and microsystems (MEMS). Now we can no longer imagine life without automobile technology, computers and accessories, entertainment and communications electronics and medical technology. These items will continue to become more important in the everyday lives of people in a growing number of countries.

Over the next several years, the research institute “Yole” is anticipating a growth of 13 percent per year worldwide for the MEMS industry, and “Prismark” expects growth of 23 percent for chip connection (Advanced Packaging). The number one growth driver is the rapid technological progress in our markets, which means that new equipment for production and quality control is needed in increasingly shorter periods of time. SUSS MicroTec meets four important customer requirements through its product and solutions portfolio:

- Semiconductors and microsystems must be available in increasingly large quantities since laptops, digital cameras, cell phones and the like have become basic everyday commodities used by everyone, and are quickly replaced by the latest models. On top of this, scientists are continually developing new technologies for mass production. The areas of application for chips also continue to increase respectively.
- Semiconductors, in particular, are forging ahead into never before seen areas of performance. The reason: customers want small, handy devices that can perform even more tasks – for example, cell phones that take camera-quality photos, small, light, portable computers which they can use to make phone calls, send e-mails and do calculations, or game consoles with cinema-caliber displays. The Advanced Packaging technology of SUSS MicroTec facilitates the production of chips, which are true power packs.

- At the same time, there are enormous price pressures. Chip and MEMS producers therefore have to provide first-class quality at a lower cost per unit. Equipment from SUSS MicroTec gives the customer the greatest precision and reliability – which ultimately leads to greater output and lower error rates in production. This type of favorable ratio between the two parameters is referred to by experts as high yield or low cost of ownership – both trademarks and competitive advantages of SUSS MicroTec products.

- Increasing environmental awareness means that electronic products that contain lead are being replaced by other products. Lead is harmful and toxic neither degradable nor recyclable. It significantly contaminates ground water. The European Union and Japan have the strongest anti-lead laws in the world, and these will be increasingly implemented in the future. Producers are therefore interested in converting their production facilities so that they can economically manufacture lead-free electronic components. Together with IBM, SUSS has developed a tool set for C4NP technology. This enables lead-free production of chips – with a very competitive cost of ownership.

SUSS MicroTec has set the course for benefiting from these global trends. Close, trusting customer relations, in-demand technologies such as Advanced Packaging and Wafer Bonding and cooperation with important partners such as IBM open up even more sales and development avenues for us.

R&D Investments Pay Off

Research and development is of central significance for SUSS MicroTec, forming the basis of our future business success. We invest considerable sums in the development of new equipment and technologies each year. This enables us to position ourselves for new trends at an early stage. We therefore also cherish our traditionally high proportion of sales to research institutes and universities, where tomorrow's solutions emerge today – with the help of SUSS technology. Our latest triumphs: the research facility NanoFab of the Canadian University of Alberta has selected our new Wafer Bonding system ELAN CB6L. NanoFab

conducts research in the fields of micro- and nanotechnology and is used by more than 130 research teams from universities and industry. SUSS equipment is employed in projects for pressure sensors for the petroleum industry as well as for wireless transmission technology. Further evidence of trust in our Company comes from a globally recognized research facility in South Korea: SUSS MicroTec is providing a Mask Aligner MA200 compact to SAIT, the central research and development organization of the Samsung group. The SUSS system fully meets SAIT's high demands for quality, which includes an adjustment precision of less than 0.5 micrometers and a through-put of more than 100 wafers per hour.

Through its successful collaboration with research and development institutes, SUSS keeps up with the times, sees new development trends at a very early stage and thus has the opportunity to have a hand in forming the technological future of its markets. It was along these lines, for example, that the new M-Lock Wafer Bonder was developed and presented to the industry. The special characteristic of this equipment is its vacuum lock, which removes the contamination on the wafers being processed to the maximum extent possible. This is extremely important in microsystems production since every impurity lowers the production yield. Tool sets must therefore achieve the highest yield possible. This new development was also received by our customers with enthusiasm. SUSS MicroTec is expecting significant expansion of business volume in this segment in the years to come.

C4NP – A Promising Perspective

One particular outcome of our research and development activities is currently giving us a reason for great expectations: C4NP (Controlled Collapse Chip Connection New Process). IBM invented this method of wafer bumping and SUSS MicroTec is taking over development and sales of the required production segment. C4NP has the potential to become a new industry standard and revolutionize wafer bumping in semiconductor production. C4NP enables chip producers to manufacture the chips faster, more efficiently and also in lead-free form.

SUSS MicroTec and IBM have been working on the optimal configuration of the production equipment since the start of the joint development agreement with IBM. Within the scope of technological changes and the associated expansion of the entire project, negotiations regarding these revised framework conditions were conducted with IBM during the last quarter of 2006. A new contract now allows for the considerably expanded project scope and the associated higher expenditure on the part of SUSS.

Installation of the first system for fully automatic mass production is currently underway at IBM in the USA. It is expected to be put into operation this year. From this time forward, C4NP has the potential to gain a significant share of the wafer bumping market. The semiconductor industry has manifested great interest.

Bright Prospects Internally at SUSS, Too

SUSS MicroTec invests in the productivity and motivation of its employees. We monitor the training and continuing needs of each and every employee in all teams and departments on a regular basis. Specific advancement activities are then implemented based on these results. In 2006 our main focus was again on the development of executives and the employees at the Garching site, who were offered intensive computer skills training (Office applications such as Word, Excel, PowerPoint and Outlook). The response was so positive that this type of training will also be carried out in Vaihingen in 2007. By means of an incentive system, we motivate our employees worldwide to the effect that ordered equipment can be delivered as quickly as possible and precisely according to customer wishes. SUSS MicroTec works successfully with universities and research facilities to secure new talent for the future. For example, internships are offered and support is given in writing master's theses. SUSS MicroTec also trains young people each year in the careers of industrial clerk/apprentice and mechatronics engineering.



Back then – Scratches and aggravation

Embarrassing, expensive, irritating: without a good rear view, backing into a parking space can end badly – with scratches and dents for you and for others. That can quickly add up to several hundred euros – not to mention ridicule.



The electronic parking assistant is an absolute blessing for owners of big cars, and today comes either as a standard feature on most passenger cars today or can be obtained for a slight surcharge. Sensors determine your distance from the neighboring car, and a beeping signal sounds when you are getting too close. Parking accidents are thus a thing of the past, even in the tightest situations – which is gentle on your nerves as well as your pocketbook.

Today – Parking and relaxing



Group Management Report and Management Report as of December 31, 2006

1. Group Structure and Business Activities

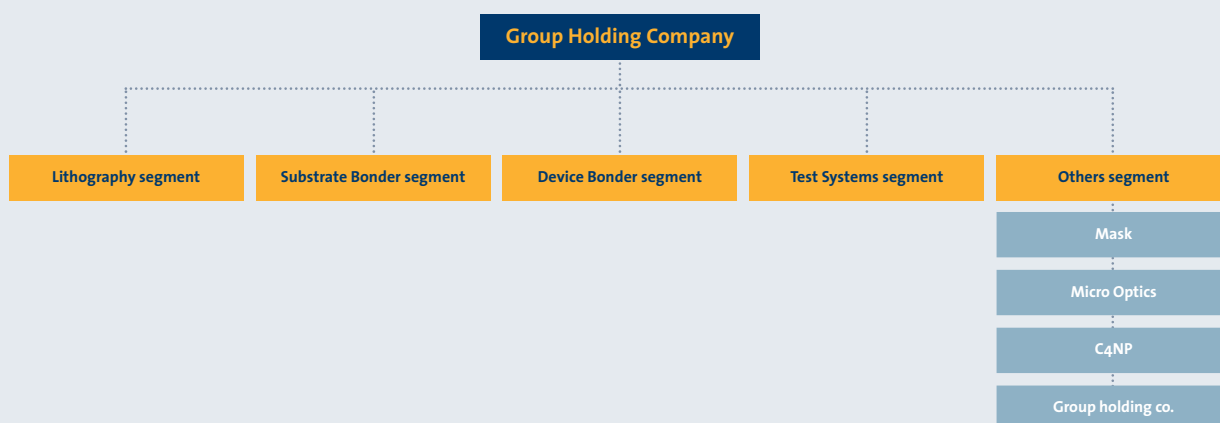
The SUSS MicroTec Group manufactures and markets equipment and testing systems for the production of microelectronics and microsystems technology (MEMS).

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 devices, where the Group sets up and utilizes networks with the help of internal and external partners to create competitive advantage.

The Group is divided into 5 segments, with the Others segment consisting of several sub-units that are each managed separately.



The legal Group 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 US, France, Japan, China and Taiwan, among others.

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

SUSS MicroTec pursues the strategy of occupying lucrative niches in the industry of semiconductor suppliers. We want to remain active in the relevant markets by means of our 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; only in the event of interesting technologies or meaningful complementary products will external growth be considered.

3. Research and Development

The following is a description and explanation of the main new products and developments of the referring segment or sub-unit.

Lithography

The production Mask Aligner MA200Compact – introduced in 2005 – found strong demand from production customers in 2006. This machine has now been extended with the integration of an optional “bake” module. The “bake” module “fixes” chemically amplified photo resists immediately after the pattern exposure step - before the finest details are able to degrade. The result is that the modified Mask Aligner can now print finer patterns that have been created hitherto mainly on much higher priced Lithography Steppers.

Developed in 2006, the DMS200 will enable SUSS to expand into the Inspection and Metrology area in 2006. The DMS200 is an automated inspection microscope for in-line inspection. It is able to “look” on both surfaces of a patterned wafers and to compare the positions of patterns on the front- and backside of a single wafer. This is especially important for MEMS devices like sensors, where both sides of a wafer are processed independently and perfect pattern registration across the full wafer area is crucial for high yield production.

Wafer Bonder

In 2006 SUSS introduced the ELAN series of wafer bonders beginning with the ELAN CB6L, which complements the SB6/8e bonders by providing a low cost technology geared to research applications. This series is being extended to support high force applications for advanced CMOS 3D interconnects using SUSS’s proprietary “force column” technology, the addition of SUSS’s unique M-Lock™ technology that allows complete isolation of the process vacuum chamber from the fab operating environment. The force column approach provides high force and exceptionally good pressure uniformity. This allows high yield production of metal to metal bonds. SUSS continues to support advanced MEMS production with improved alignment technology enabling continued MEMS die size shrinks. SUSS’s bonder equipment strategy is to provide these capabilities in a modular form that allows unit processes to be developed in semi-automated systems and transferred to fully automated processors using SUSS’s Dock and Lock™ cluster technology.

C4NP

In cooperation with IBM SUSS has developed the automated 300mm volume production version of the C4NP technology for this novel wafer bumping approach. This system and its component modules use SUSS proprietary technology to lower the production costs and assure the highest quality continuous operation for wafer bumping. The C4NP approach is highly flexible and extendable, allowing the use of lead free bumping alloys while avoiding the environmental concerns that come with electroplated solder bumps. SUSS’s C4NP equipment supports the scaling of bumping technology to bump pitches well below 100µm using SUSS proprietary technology to assure high quality continuous operation.

Test Systems

The PA200 BlueRay Optoprober has been extended by a loader module which allowed presentation of this machine as a fully automated test machine at the SEMICON West in Summer 2006. The advantage of this configuration lies in the possibility to convert a semi-automated prober at a later stage into a fully automated one. The Optoprober addresses the fast growing High-Brightness LED market, where SUSS has a good position at leading manufacturers' sites.

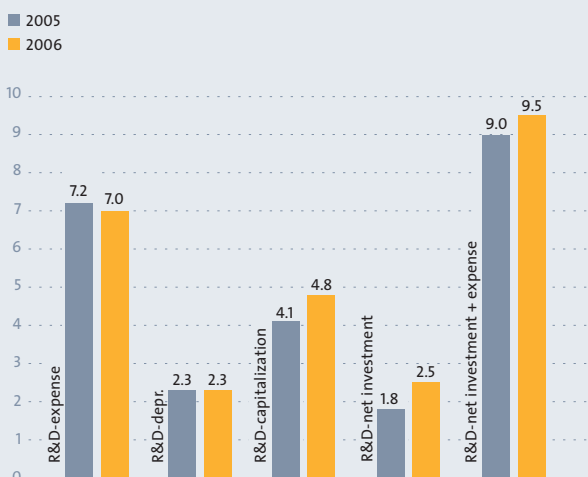
For long-term Wafer Level Reliability tests on 300mm substrates the PM300WLR has been developed. This piece of equipment can perform electrical measurements over a long period of time and at high temperatures to make predictions about the life-span of components. For this machine, patents have been filed accordingly.

Device Bonder

The main novelty brought to the market in 2006 is the FC 300. It is a high force bonder, from 10 gram-force up to 400 kilogram-force, depending on the head configuration. This device bonder can operate as a "classic" one but also with a confinement chamber, using an acid gas mixture and/or reduced pressure. This permits a much better quality of bonding process, resulting in good electrical conductivity and high mechanical resistance for more reliable components. Substrate size can be up to Ø 300 mm wafer. The machine also has capabilities for nano-imprinting, either with UV curing or hot embossing, depending only upon the head configuration. A choice among different options allows the customer to plan several smaller budgets at different times, instead of a larger one up-front. A large range of bonding force and the chuck sizes allows a variety of components to be bonded - small laser diodes for optoelectronics as well as large IR sensors for sophisticated infrared vision systems. The use of an acid gas bonding atmosphere permits reduction of the required bonding pressure, and therefore reduction of the possible mechanical stress induced in the bonded products. The quality of the components, and so the yield, is improved. The use of "confined atmospheres" will to be more frequently demanded in the microelectronics and semiconductor industry. SUSS expands its process-oriented competence by offering this innovative solution for a complex production problem.

R&D-Expenditures in an Annual Comparison

in EUR million



Total expenditure for research and development increased slightly from EUR 9.0 to EUR 9.5 million in a year-on-year comparison. Focal points within the capitalization of development results include the C4NP project and the Substrate Bonder segment.

Staff numbers in the research and development division and in Prototyping totaled 121 at the end of 2006 (+8% compared to 2005: 112).

4. Overview of Business Development

In 2006, the SUSS Group was again able to achieve a positive annual result for the first time since the record year of 2001.

The semiconductor industry developed positively in the year under review, with respect to both chip manufacturers and chip suppliers. Sales of semiconductors therefore increased by 9% to USD 248 billion compared to 2005 (source: Semiconductor Industry Association - SIA), a new record level. According to SIA, the main drivers of this growth were cell phones, MP3 players and HDTV equipment. Chip suppliers also benefited from this growth: sales of machinery for the semiconductor industry also saw an increase in 2006. Sales increased even more sharply here, by 24% to USD 41 billion (source: Semiconductor Equipment and Materials International – SEMI). This positive trend was supported by the healthy development of the global economy, which – driven by the strong growth in Asia – increased by 5% in 2006 (source: Deutsche Bank AG).

Further, our products also developed very well for applications in microsystems technology (MEMS). In addition, the most important restructuring measures of 2005 were completed, which meant that the operating performance of the year 2006 was not significantly impacted by extraordinary material effects. All in all, we are very pleased with the course of business in fiscal year 2006, since in addition to the very good development of our well-established core business, new business segments - in particular Substrate Bonding and C4NP – were able to report important advances.

Sales within the Group increased by 32.3%, from EUR 117,5 to 155,5 million. The increase in order entry amounted to 13.5%, from EUR 135,6 to 153,8 million. With respect to currency development, the effects on sales and order entry are negligible, as in the previous year. The average price used for the USD changed only slightly. The figures thus also reflect operating development even when currency-adjusted. For the SUSS-Group, the Japanese yen was of significantly less importance compared to the US dollar.

However, based on the weaker US dollar as of the balance sheet date (1.32 USD / 1.00 EUR on 12/31/2006 compared to 1.18 on 12/31/2005), book losses occurred due to the record date valuation of USD foreign currency assets and liabilities respectively; an opposite development compared to 2005.

Sales and Order Position of the Segments

The primary focus in Europe, North America and Japan is in the areas of microsystems technology (MEMS), compound semiconductors and test systems. The fluctuations in the course of business are manifested to a lesser extent here than in the advanced packaging market. Here we service mainly Asian customers outside of Japan. These differences also reflect the development of sales and order entries in the regions in fiscal year 2006. Growth was generated primarily in the Asian region, which experienced a noticeable expansion of capacities for advanced packaging applications. Development in Japan was quite satisfactory, both with respect to sales and order entry.

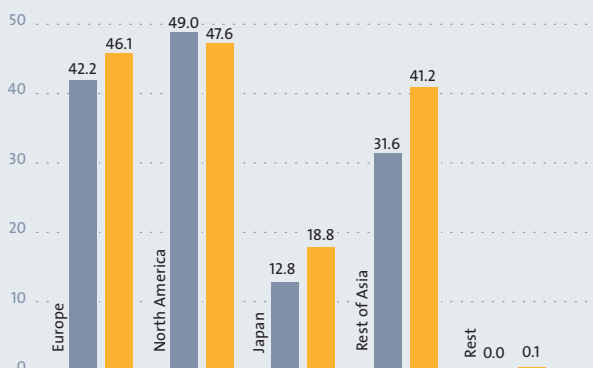
Order entries

Order entry in Europe increased by 9% in a year-on-year comparison. Alongside the Mask Aligner (the Lithography segment), the Device Bonder and Substrate Bonder segments were the main contributors to this growth, while the Coater (also allocated to the Lithography segment) experienced a significant decline in the year 2006 following an extremely strong order entry position in 2005. In North America the value of new orders was reduced by 3%. Increases in both bonder product lines, similar to the development in Europe, were pitted against a decline in order entries - mainly for the Mask Aligner and Test Systems. The increase of 47% in Japan can be attributed to the Substrate Bonder and Coater product lines, primarily to the semi-automatic "Gamma" solution. The rest of Asia, which was the overriding growth driver for the increase in order volume, achieved an increase of 31% in 2006. The Mask Aligner was largely responsible for this positive development.

Order Entries by Region

in EUR million

■ 2005
 ■ 2006



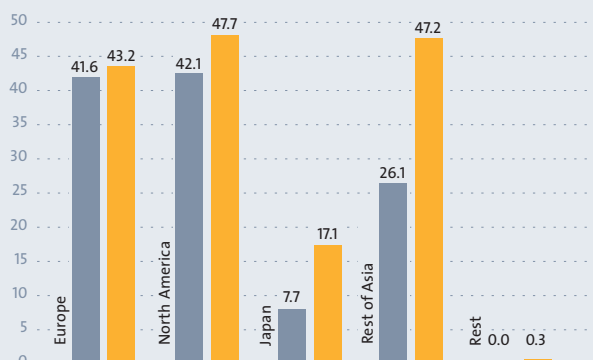
Sales

Due to the high order backlog at the beginning of the year, the increase in sales in the regions turned out to be generally more significant than was the case with order entry. While the Test Systems and Mask Aligner were the major contributors to the 4% growth in Europe, the growth in sales for Substrate Bonders contributed significantly to the 13% increase in sales in North America. The increase of 123% in Japan can be traced mainly to the low sales base in the year 2005. The product lines of the Lithography segment in particular, the Mask Aligner and Coater, were again able to achieve reasonable sales numbers following weak values in 2005. Growth in sales in the rest of Asia reached 81%. The Coater product line, which had experienced a considerable order backlog at the beginning of the year and that was settled during the course of 2006, had the largest share in this growth.

Sales by Region

in EUR million

■ 2005
 ■ 2006



Order Backlog in the Group

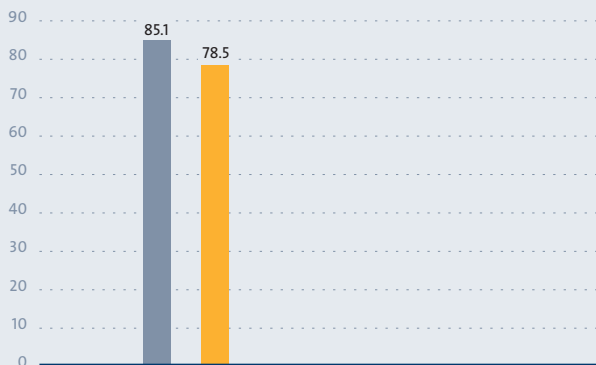
The ratio between newly received orders and realized sales (the book-to-bill ratio) was at 0.99 in 2006 (2005: 1.15).

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

Order Backlog in the Group

in EUR million

■ 2005
 ■ 2006



The order backlog as of year-end 2006 was approximately 8% below that of the previous year. While the order backlog increased in Europe in a year-on-year comparison, it showed a declining trend mainly in North America and in the rest of Asia.

The order backlog at the end of 2006 included orders amounting to EUR 5.4 million, which we do not anticipate will be realized in sales in fiscal year 2007.

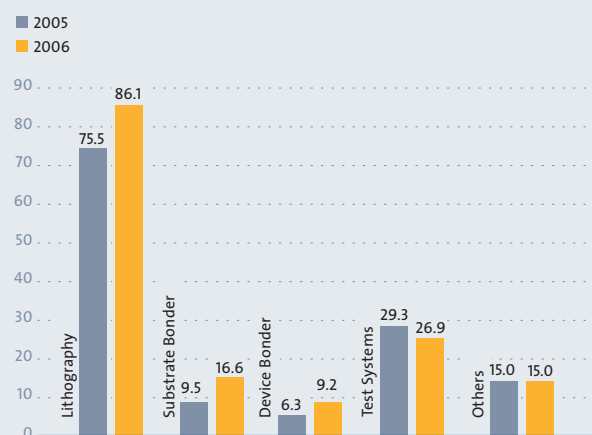
Business Development in the Individual Segments

Overview

With respect to both sales and order entry, Lithography was the driving force behind the positive development in 2006. The expansion of the Substrate Bonder business is also very significant, since we are expecting above-average growth in this segment over the medium term.

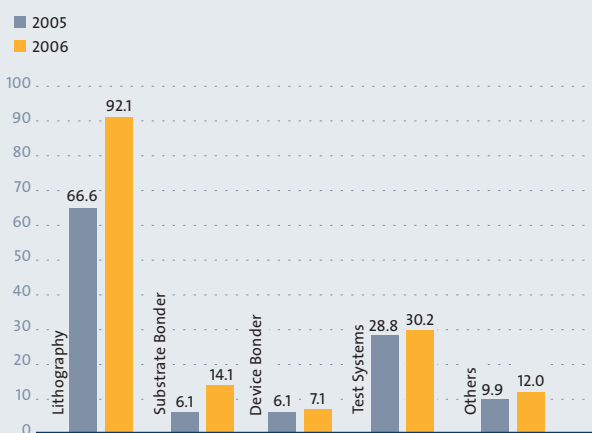
Business Development in the Individual Segments

in EUR million



Sales by Segment

in EUR million



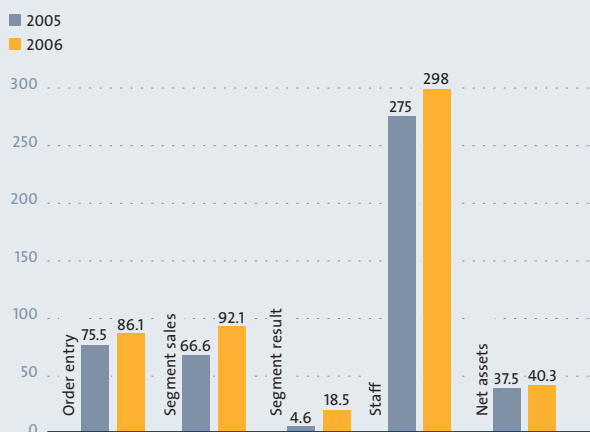
Lithography

The Lithography segment includes the development, production and marketing of the product lines Mask Aligner and Coater, and is based in Germany, mainly at the locations Garching, near Munich, and Vaihingen, near Stuttgart. In addition, important components of the sales organizations are working in North America and Asia for this segment. Lithography represents well over half of the total business of the Group and is very present in the microsystems technology (MEMS), compound semiconductor and advanced packaging markets.

Lithography was able to record renewed growth in order entry in 2006. The Mask Aligner was one of the main contributors to this growth. Added to this were orders for the so-called Lithocluster systems, which are used in LED production, coupled with significant increases in order volume for spare parts. Coaters experienced a slightly declining trend. Overall, orders valued at EUR 86.1 million were recorded in 2006 compared to EUR 75.5 million the previous year (+14%). In the case of sales, however, Coaters provided the largest share of sales and also showed the strongest growth. Sales of the Mask Aligner were also noticeably expanded, resulting in an overall positive picture. Segment sales reached EUR 92.1 million in 2006 (previous year: EUR 66.6 million), an increase of 38%.

Segment Overview Lithography

(in EUR million and/or Employees on Annual Average)



Sales growth was also reflected in segment earnings, which improved considerably due to the associated scaling effects. Segment earnings therefore amounted to EUR 18.5 million following EUR 4.6 million the previous year. The gross profit margin increased from 44.2% in 2005 to 45.9%.

The increase in segment assets (net) from EUR 37.5 million in 2005 to EUR 40.3 million in 2006 can be attributed largely to significantly reduced customer prepayments. They were reduced by EUR 5.9 million from 17.6 to EUR 11.7 million. The inventory has been reduced once again. At the end of 2006, inventory was at EUR 29.1 million (previous year: EUR 31.6 million; -8%). The increase in staff numbers from 275 to 298 kept pace with the significant sales growth.

Substrat Bonder

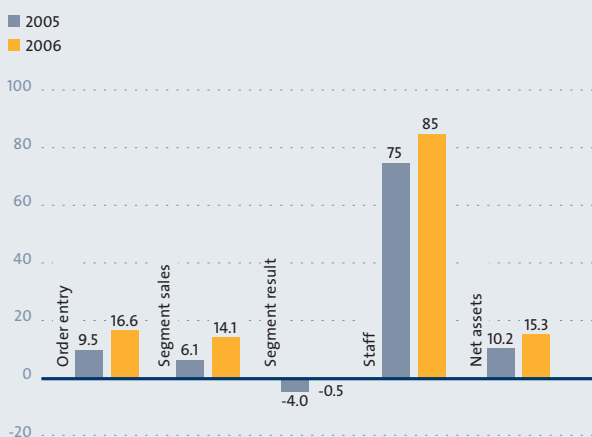
The development and production areas of the Substrate Bonder segment are located at the Waterbury, Vermont, location in the USA. In addition to Waterbury, sales and marketing is based in critical locations in Europe and Asia in the form of small units.

Important products include manual devices for bonding substrates ranging from 6 to 8 inches in size. There are also machines with greater automation for production that focus on 8-inch applications.

The growth potential for this segment was shown in 2006. Order entry increased by 75% to EUR 16.6 million (2005: EUR 9.5 million), which we attribute to both the growth of applications and the increase in market share. Sales increased even more sharply, from EUR 6.1 million to EUR 14.1 million (+133%). This sales trend benefited from the high order backlog at the beginning of 2006.

Segment Overview Substrate Bonder

(in EUR million and/or Employees on Annual Average)



The segment results improved from EUR -4.0 million the previous year to EUR -0.5 million in 2006. An improvement in the gross profit margin from 10.1% in 2005 to 38.2% was noted; in addition to the improvement in utilization, primarily a result of the stabilization of the still unfolding product portfolio. The overhead

structures were further built up so as to provide a global infrastructure, mainly for the production customers. As a result, the break-even point was not yet reached in this segment.

The level of intensity in product development continues to be high. While expenditure for research and development did decline in a year-on-year comparison, (EUR 1.4 million compared to EUR 1.8 million in the previous year; -22%), it is still at a very high level. Completion of the portfolio continues to be on target, so that a product solution can be provided for all of the current bonding applications.

The segment assets (net) increased significantly from EUR 10.2 million to EUR 15.3 million. The increase in inventory of EUR 4.0 million to EUR 13.4 million and in accounts receivable (EUR 4.8 million following EUR 2.3 million) reflects mainly the increase in working capital due to the growth in business volume.

Device Bonder

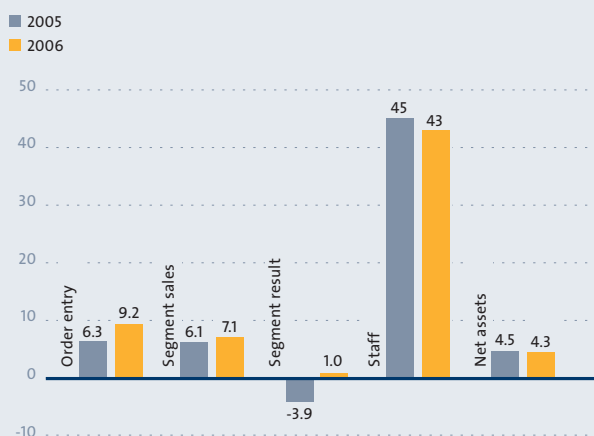
The Device Bonder segment is based in St. Jeoire, France. In addition to development and production, important components of the sales and marketing organization are located here. Due to the technical complexity and the small size of the market, there are no other significant sales organizations working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

Thanks to the improved order situation and a reduced cost base, this segment showed a significantly better earnings performance in the year 2006. In what continues to be a very narrow market environment, an increase in sales from EUR 6.1 million to EUR 7.1 million (+16%) and a positive segment result (EUR 1.0 million following EUR -3.9 million, including extraordinary effects amounting to EUR -3.6 million the previous year) was achieved.

Order entry in the year under review amounted to EUR 9.2 million (previous year: EUR 6.3 million; +46%).

Segment Overview Device Bonder

(in EUR million and/or Employees on Annual Average)



The gross profit margin improved from 32.5% the previous year to 55.5%. This increase was influenced to a considerable extent by the partial sell-off of inventories that had already been adjusted in value.

The segment assets (net) remained virtually unchanged.

We are assuming that a long-term solution for this segment can be found during the course of 2007. The synergy effects with the other segments of the Group are small, and we can only envision a sufficient perspective for reaching a relevant level of sales in combination with other products, which are not included in the portfolio of the SUSS Group.

Test Systems

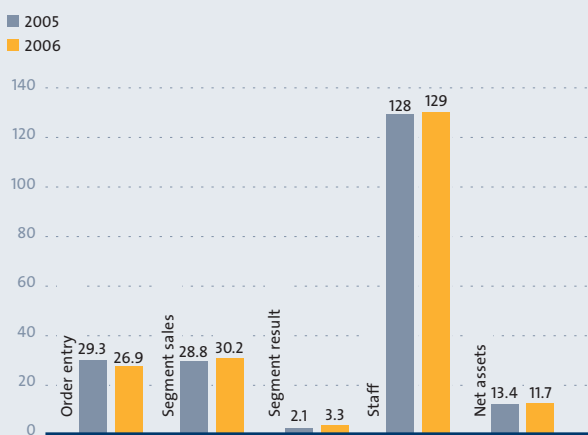
This segment represents approximately a fifth of the Group's business volume and is located in Sacka, near Dresden. Development, production, and sales and marketing in Europe are primarily located there. Within the international sales organizations (North America, Asia), this segment employs the most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

Test Systems stands out mainly due to its less cyclical business development. Our Prober is designed mainly for laboratory applications, in particular error analysis, but also to some extent applications in the production environment (microsystems technology (MEMS) and LED test systems).

Order entry decreased in the fiscal year under review from EUR 29.3 million to EUR 26.9 million (-8%). Growth was achieved as far as sales are concerned, however, reaching EUR 30.2 million compared to EUR 28.8 million the previous year (+5%).

Segment Overview Test Systems

(in EUR million and/or Employees on Annual Average)



In addition to higher sales, the recurring recovery of the gross profit margin is responsible for this improvement in segment results: while a margin of only 39.6% was achieved in 2005, this figure increased to 42.9% in 2006. The relatively constant costs for obsolescence and sales and marketing as well as research and development expenditures enabled segment results to increase from EUR 2.1 million to EUR 3.3 million.

The decline in segment assets (net) is based primarily on reduced accounts receivable, which amounted to EUR 5.1 million compared to EUR 6.9 million the previous year. Inventories declined slightly from EUR 7.8 million to EUR 7.4 million.

Others Segment

The Others segment includes mainly our Mask business for the semiconductor industry (Palo Alto, California, USA). Included here also are our activities in micro-optics (Neuchâtel, Switzerland) and other areas. The C4NP business segment is currently also accounted for in this segment. As soon as C4NP achieves the appropriate level of importance as an operating business for the

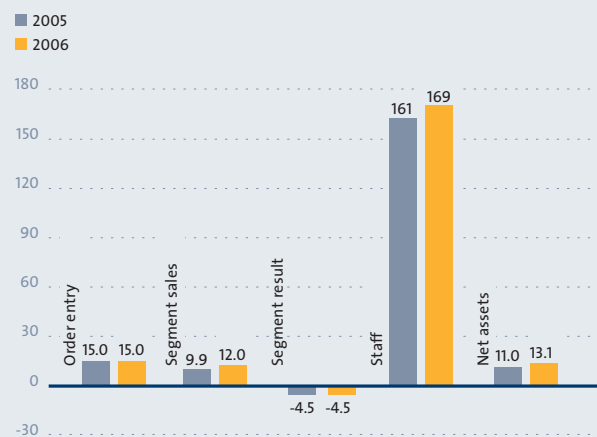
Group, we will form a separate segment for it. At present, however, C4NP is not yet contributing any real sales, so that no separate representation will take place until further notice. The costs for central Group functions that cannot be attributed to the segments are also included here. The expenses of the Group holding company represent a major portion of the administrative expenses and thus also of the negative segment results.

The Micro-optics division was able to double its sales to over EUR 3.0 million. Operating results also increased from EUR 0.1 million to EUR 0.9 million. Sales in the Mask business increased only marginally; operating results, however, improved by approximately EUR 1 million to EUR 1.7 million due to lower manufacturing costs and reduced administrative costs.

The operating result of the central Group functions worsened from EUR -4.9 million to EUR -6.5 million. Increased administrative costs in the year 2006 and one-time earnings in the year 2005 were responsible for the expansion of loss.

Segment Overview Others

(in EUR million and/or Employees on Annual Average)



Segment losses remained almost constant. The increase in segment assets (net) can be attributed mainly to the increased inventory because of the existing order from the IBM Corporation as well as the capitalized development costs for C4NP.

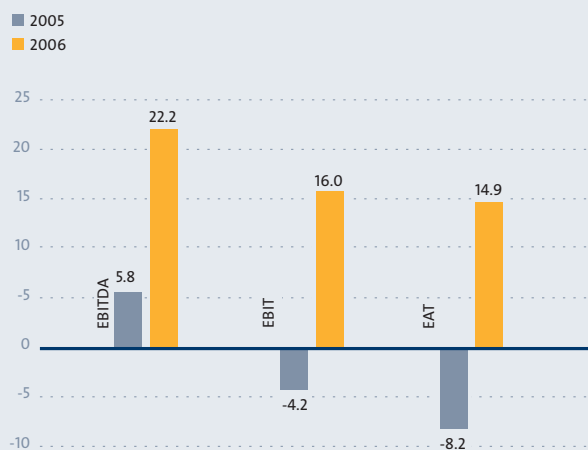
5. Earnings, Assets and Financial Position

Earnings Position

The year 2006 saw a turnaround in the earnings position. While only the EBITDA (earnings before interest, taxes and depreciation) was able to show a positive value in the previous year, the annual result (EAT) also worked out to be clearly positive in 2006. The main reason for this development was the significant increase in sales and the associated rise in gross earnings. This is shown primarily in the EBIT performance ratio – this value improved from EUR -4.2 million to EUR 16.0 million.

Development of Significant Performance Figures

in EUR million

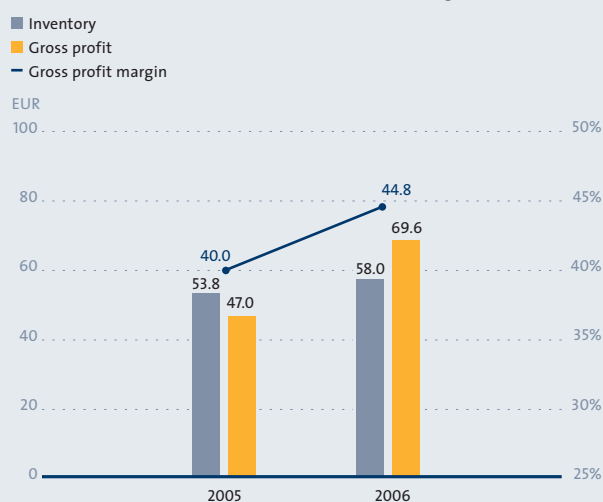


The greater utilization within the Group also resulted in an improvement in gross profit margin, whereby in addition to the utilization-dependent fixed cost degression, the following factors were responsible for the increase:

- An increase in gross profit for the Substrate Bonders due to an increase in sales and additional learning curve effects
- Sell-off of machinery in the Device Bonder segment that had already been partially adjusted in value
- Compared to 2005, a significantly increased share of sales from margin-laden orders for advanced packaging

Development of Inventory and Gross Profit

(in EUR million) as well as the Gross Profit Margin (% of Sales)

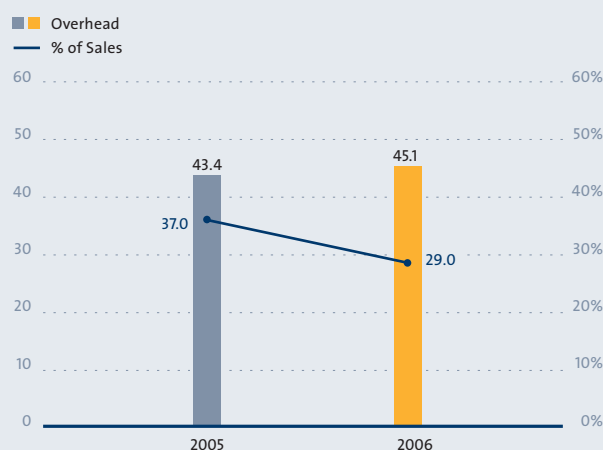


Within the product lines, it was primarily the Substrate Bonder segment that was able to record advances in the development of the gross profit margin in the total year observation. If the business is expanded accordingly, we are confident that we will be able to reach gross profit margins of over 40% in this segment as well.

Inventory increased from EUR 53.8 million at the end of 2005 by 7.7% to EUR 58.0 million by year-end 2006. In addition to the increase in the Substrate Bonder segment, brought about by the growing volume of business, the order from IBM for our future product – C4NP – is also responsible for the buildup of inventory. Overall, inventory development is not satisfactory. For that reason, we will focus on a critical appraisal of inventory development within the individual segments during the current year 2007.

Development of Overhead Costs

in EUR million and in % of Sales



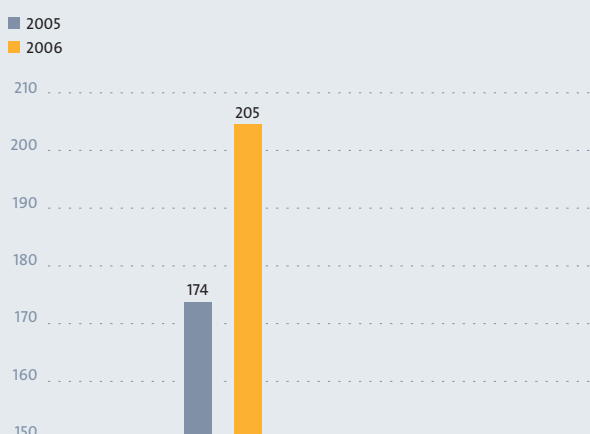
The costs for administration and sales and marketing increased by 3.7% in a year-on-year comparison. Considering the high level of sales growth, this increase is rather low, and can be attributed among other things to the buildup of personnel in these two divisions (administration +7 employees, sales and marketing +28 employees).

Included in the other operating expense and income are book losses on intra-group foreign currency loans amounting to EUR 1.5 million, which arose from the weakening of the US dollar and the yen in the year 2006. A profit of EUR 1.0 million was recorded here last year.

In the case of tax expense, 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 on losses carried forward as well as the capitalization of corporation tax credit in Germany.

Net Sales per Employee

in EUR million



In the end, the Group annual result reached EUR 14.9 million (2005: EUR -8.2 million). Earnings per share amounted to EUR 0.88 after EUR -0.52 in 2005.

Net sales per employee increased by 17.8% compared to the previous year, from EUR 174,000 to EUR 205,000.

Financial Position and Net Assets

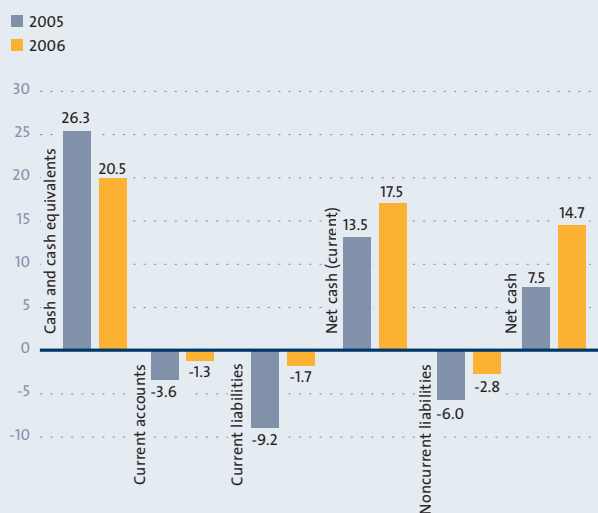
Our goal to always maintain a sufficient short-term liquidity reserve for the operating business was also met without question in 2006. In addition to the inventory of cash in hand, the Group has credit lines amounting to a total of EUR 17 million, which are tied for the most part to so-called “Financial Covenants”. The domestic credit line, which is part of a banking consortium, amounts to EUR 12 million, and is secured in line with banking practice.

In addition to the inflow from the operating business (operating cash flow: EUR 14.4 million compared to EUR 7.0 million in 2005, plus 107%), the liquidity development in 2006 was characterized mainly by redemption payments for debts. Thus the remainder of the convertible bond was redeemed on one hand, while unscheduled repayments for existing long-term loans were made on the other, so as to adjust the contractual arrangements in favor of the company. Overall, a net total amount of EUR 13.3 million was redeemed, which also accounts for the decline of cash in banks of almost EUR 6 million.

The net cash position – the balance from cash resources and debts – improved considerably during the course of the year. The positive balance already existing at year-end 2005 of EUR 7.5 million was increased to EUR 14.7 million in 2006. The Group thus has some financial leeway for financing large development products or other strategic activities.

Development of Cash in Banks and Debts

in EUR million



In addition to goodwill, the capitalized development costs make up the bulk of the long-term assets. The goodwill is allocated primarily to the Lithography (EUR 13.6 million, 2005: EUR 13.6 million) and Test Systems (EUR 4.3 million, 2005: EUR 4.6 million) segments and to the Mask business in the Other segment (EUR 4.8 million, 2005: EUR 5.4 million). The C4NP project currently represents the major share of individual items with respect to intangible assets, with capitalized development costs of EUR 5.7 million (2005: EUR 3.3 million). With an increase of EUR 2.4 million compared to 2005, this project was also responsible for the change in the “Development costs” item (EUR 11.7 million compared to EUR 9.6 million in 2005). In addition, capitalized development costs of EUR 2.9 million are included for both the Lithography and Substrate Bonder segments. Further, residual book values of EUR 2.4 million (previous year: EUR 3.5 million) for acquired licenses and patents in the Lithography segment were included.

The tangible fixed assets are of little significance for the assets position of the group of affiliated companies, since the Group has only at its disposal a very limited amount of real property, and/or does not generally rely on cost-intensive production facilities. The tangible fixed assets changed only insignificantly and declined from EUR 5.4 million the previous year to EUR 4.9 million. The deferred tax claims increased during the fiscal year by EUR 1.8 million and amount to EUR 9.2 million at the closing date. The increase is based mainly on a pro rata reinstatement of original values based on the valuation of the presumably utilizable loss carry forwards.

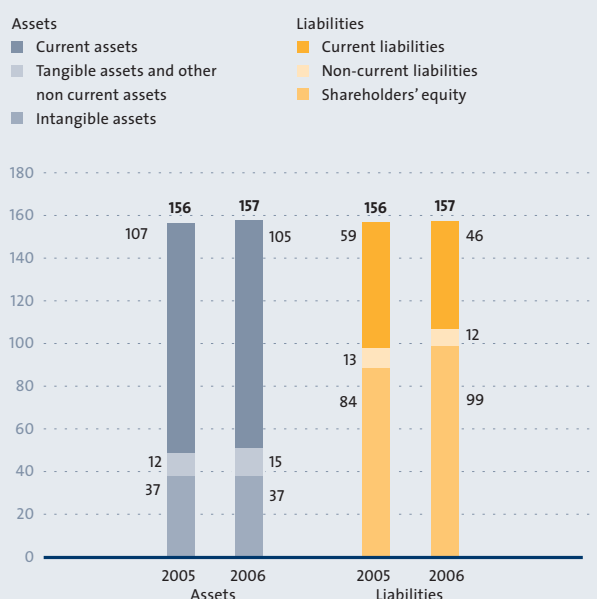
In summary, apart from the major C4NP project and the revised valuation of the utilizable loss carry forwards, there were no material changes in the long-term assets.

Within the working capital, principal items have changed considerably during the course of the year under review. One change, as already mentioned, was the increase in inventories (as of the balance sheet date from EUR 53.8 million in 2005 to EUR 58.0 million). Another change was the reduction in customer prepayments by EUR 4.0 million.

Based on the high redemption payments and the increased shareholders' equity, the balance sheet structure changed notably on the liabilities side. As a result, the equity ratio increased from 54% to the current 63% in a year-on-year comparison.

Balance Sheet Structure of the Group

in EUR million



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 machinery is 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 segment. Both cases will involve small-lot production, which will require the respective production machinery. 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 present. The dominant project again in 2006 was to complete development of a commercial C4NP line, which consists of several machines.

We are going 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.

The Holding Company – SUSS MicroTec AG

(Note: We will be happy to provide you with the individual financial statements of SUSS MicroTec AG upon request. Please contact our Investor Relations department.)

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 likewise responsible for the corporate identity in the areas of 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 also takes over 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 mainly through allocation of the allocatable costs to the operating companies or income from license agreements from patents and rights.

Presentation of Key Financial Figures of the Holding Company in TEUR:

	2006	2005	Change	in %
Net loss for the year	-1,922	-545	-1,377	-253%
Sahreholders' equity	98,364	99,171	-807	-1%
Balance Sheet total	108,565	115,837	-7,272	-6%
Equity ratio in %	91%	86%		
Tangible assets	70,021	77,877	-7,856	-10%
... % of balance sheet total	64%	67%		
Current assets	38,544	37,961	583	2%
... % of balance sheet total	36%	33%		

Significant Changes in the Asset and Financial Situation

The decrease in loans to affiliated companies resulted mainly from scheduled repayments in the amount of EUR 7.1 million.

The short-term inter-company receivables have been increased by EUR 7.9 million. This increase is mainly due to the subsidiaries in Waterbury/USA and Japan.

The deposits with banks were reduced by EUR 7.2 million during the fiscal year. This was mainly caused by redemption of finance debts.

Debts were considerably reduced during the course of the year 2006. The individual redemption payments can be broken down as follows:

The loan agreement entered into with IBM Deutschland Kreditbank GmbH for a loan amount of EUR 3,4 million for financing development work for C4NP was fully redeemed in fiscal year 2006. The redemption that accrued in 2006 thus amounted to a net amount of EUR 2.5 million.

On April 30, 2006, in accordance with the contract, the Company paid back the final partial amount of the convertible bonds issued in November 2003 in the amount of EUR 3.6 million. As of the balance sheet date the liability out of bonds amounts to a total of EUR 0.4 million, which is to be allocated solely to the warrant-linked bonds, as the convertible bonds are totally redeemed.

The change in equity (EUR –0.8 million) was caused by the net loss for the year (EUR 1.9 million). At the same time allocations to the subscribed capital and to the additional paid-in capital (in total EUR 1.1 million) were booked, both 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 the year of EUR 1.9 million (previous year: EUR -0.5 million).

Based on the existing profit and loss transfer agreement with SUSS MicroTec Test Systems GmbH, Sacka, EUR 0.7 million (previous year EUR 0.2 million) was recognized as income at the holding company.

The other operating income mainly contains EUR 1.6 million foreign currency gains (previous year: foreign currency gains of EUR 3.2 million as well as income unrelated to the accounting period from the writing back of provisions of EUR 0.8 million).

The other operating expenses are characterized mainly by the continued charges of development services amounting to EUR 2.5 million (previous year EUR 3.6 million) as part of the C4NP project and by foreign currency losses amounting to EUR 2.6 million (previous year: EUR 2.3 million). The development costs for internally generated intangible assets are not being capitalized according to German Commercial Code (HGB).

Due to the considerably reduced financial debts of the SUSS MicroTec AG, the interest expenses decreased by EUR 1.0 million.

At the end of fiscal year 2006, there were 17 employees (previous year: 16) and two Management Board members actively employed at SUSS MicroTec AG.

Alongside its dependence on the exchange rate of the US dollar, the short-to-medium-term development of SUSS MicroTec AG depends on the development of the financial position and results of operations of its principal subsidiaries and the C4NP project. The financial position and results of operations of subsidiaries is decisive for the level of the interest-bearing net financing balance of the Holding and the distribution of profits to the parent company. Moreover, it is intended that SUSS MicroTec AG will participate in the results of the C4NP project that is being developed by a number of subsidiaries on behalf of the Holding.

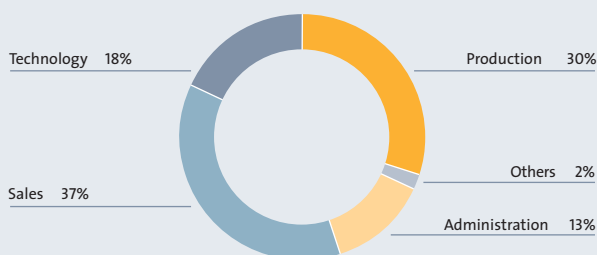
Employees in the Group

The employees and their knowledge base represent a significant portion of our company value. The training periods, in particular in the technical areas, are longer than one year due to the very 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.

Another characteristic associated with being a special machinery manufacturer is the allocation of employees by division. Since in many cases very customer-specific machinery is built or extensive customization is required on a standard type of equipment, the company must have extensive technical capabilities and competencies in the sales and marketing division. An adequate development department is also needed, so that in addition to the classic projects of product development, we can also integrate the agreed specifications into the equipment for current customer orders. There are also high demands for the maintenance of this machinery, which means that we must also be able to guarantee an adequate service presence. The sales and marketing and technology divisions therefore represent more than half of the employees within the Group.

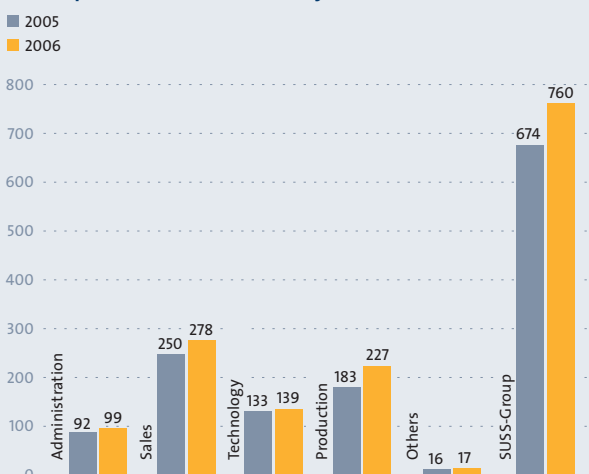
Employees in the Group

in %



SUSS MicroTec has shifted a large share of the added value in the manufacture of products to external sources. The materials quota is generally at 60 to 70%.

Development of Staff Numbers by Division



At the end of 2006 there were 760 employees (previous year: 674; +12.8%) working in the individual companies of the Group. In the reporting year, the following actions caused a change in the number of employees:

- Sales growth made it necessary to increase personnel in the production divisions.
- To ensure our worldwide presence in the Substrate Bonder segment, an appropriate number of personnel were hired.

The central theme of personnel development within the Group is to build up, maintain and develop a core workforce, to whom a far-reaching perspective within the SUSS MicroTec Group can be offered.

6. Information in accordance with § 315 Section 4 HGB (German Commercial Code)

The common stock of SUSS MicroTec AG in the amount of EUR 17,006,926 is divided into 17,006,926 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 the voting rights.

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 stock corporation law (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 in §§ 133, 179 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 Para. 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 amount of EUR 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 right of the shareholders.

There are no essential contract arrangements on the part of SUSS MicroTec AG concerning the stipulation of a change of control in the event of a corporate takeover proposal.

Compensation arrangements or the like with employees or members of the Management Board in the event of a corporate takeover proposal do not exist.

In summary, there are no special provisions in place regarding the voting rights tied to shares and any resulting control options, either by means of setting up specific stock categories or by restrictions on voting rights or transfers. No provisions extending beyond the statutory provisions regarding the appointment or dismissal of members of the Management Board exist. The essential business divisions or activities of SUSS MicroTec AG may not cease to exist in the event of a corporate takeover proposal through existing "Change of Control" clauses.

7. Disclosure of the Remuneration

(Note: For information concerning the remuneration of the Supervisory Board and of the main features of the remuneration of the Management Board please see the Corporate Governance Report on page 12 and so on.)

8. Summary Statement on the Economic Position

In the year 2006 the positive effects of the restructuring measures that were carried out – particularly in the Lithography segment – became clearly visible. Both the operating results performance and the positive debt position allow for a corporate strategy that concentrates on growth.

The liabilities side of the balance sheet enables the company to provide the appropriate financing to support strategic measures. Outside capital components in particular can now be integrated again, without any sustained weakening of the balance sheet structure. The economic position has therefore improved significantly and is in our opinion very good. Proof of the sustainability of the successful restructuring is anticipated in the year 2007.

9. Environment

While there are very few polluting materials used or originating in our production process, our customers use a number of chemical materials in the production of semiconductors and Microsystems. Our contribution to the sustained safeguarding of our environment is essentially dependent on the processes and materials used by our customers in the production process.

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

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

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

10. Events After the Balance Sheet Date

On January 18, 2007 we acquired all of the shares of a newly founded company in Singapore. Our goal is to provide a sales and marketing function along with technical support for our customers in the future through our own local presence in a region that is very important to us.

11. Risk Report

General and present-day risks to the company arise from the 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 Framework Conditions

Potential for conflict in the Middle East continues to exist, which if escalated could have a considerable impact on the development of business in 2007. Added to this are risks from the embargo policy in several Asian countries or for special customers of the Group, although these risks are of considerably lesser magnitude. Energy supply has also become a potential risk during the course of 2006 for the European economy in particular, where political tensions had an effect on supply guarantees (uninterrupted service).

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 meet these risks by means of adjusting the structures, which are expected to be adjusted externally for the most part – for example through outsourcing - in the event of fluctuating business activities.

Market Positioning

New technological developments of competitors could unintentionally 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.

Operating Risks

Assets and Earnings Position

The risks described under "Market Positioning" could cause extraordinary value adjustments in the cause of future impairment test in the Group balance sheet, especially regarding the valuation of capitalized development costs. These would have an impact on the assets and earnings position of the Group, but would not have an impact on liquidity. Potential overvaluations should be avoided by means of group-wide, valid valuation regulations.

Price Pressure and Currency Development

There continue to be distinct price pressures in the present market environment. This includes the risk that original target selling prices can no longer be achieved, even in recovering markets. We confront this risk with a consistent price policy. We will therefore even renounce orders if the conditions are unattractive, in order to guarantee our customers consistent pricing in recovering markets. The exchange rate of the US dollar has a significant impact on the earnings position of the Group. The pro rata added value 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 respectively, the hedging ratio is 65% or 45% respectively. In addition, a base volume is hedged for a duration of 12 months. The hedging is mainly done by forward exchange dealings. For further details reference is made in the notes (30).

Access to Outside Capital and Interest Rate Risk

Minimizing the dependence on short-term outside capital, in particular, should keep any potential financing risk low. We confront this risk mainly through our goal of keeping the portion of outside capital at a low level with respective cash flow from the optimization of the working capital. The interest rate risk is limited, since the essential outside capital items are based on loan contracts with fixed interest rates.

Legal Risks, in Particular Liability Risks

The SUSS MicroTec products are analyzed, checked and optimized on a regular basis by a comprehensive risk and quality management system. Based on the use of the products within the production environment of companies with increasing requirements for product quality, the liability risk for SUSS MicroTec may increase. In addition to other types of insurance, SUSS MicroTec has product liability insurance for the Group, which limits the potential risk as much as possible.

Overall Risk

No risks that would endanger the continued existence of the company were identified within the Group in fiscal year 2006. The continued existence of the company was at no time endangered from a material assets and liquidity standpoint. The current capital resources available were far above the risk adjusted capital, which represents the minimum equity interest that must be reserved [kept on the books] to cover potential losses.

Risk Management System

For the purpose of detecting and controlling risks, as well as to meet legal requirements (KonTraG) (Corporate Sector 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 a chance-oriented, but also risk-conscious, management, it is not our goal to categorically avoid all potential risks. 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.

Organization and Documentation of Risk Management

The organization of risk management is geared toward the functional and hierarchical structure of the Group. When the risk management system was introduced, we appointed a risk management officer, who is to report directly to the Management Board every three months.

The established risk management system is checked annually within the context of the annual audit.

Risk Identification

All units of the Group that are required to report organize a workshop at least once per year, which, in addition to looking back on past events, is concerned primarily with future developments. The workshops also serve to ensure that uniform evaluation methods are used throughout the Group.

On the basis of these workshops, risk reports are created quarterly; these subject known risks to a critical appraisal and take up new topics.

Risks that appear suddenly are also reported immediately to the risk management officer of the respective unit.

Risk Assessment

The assessment of risks is done on one hand by indicating the maximum amount of damages if no countermeasures are taken. On this basis, the risk value is determined by including the likelihood of occurrence, the respective countermeasures considered and, as is the determination of the maximum amount of damage, is based on the knowledge and experience of the risk officer and thus always corresponds to the most current version. The indication of the risk value pertains to either the next 12 or 24 months.

Risks to the company are classified as "significant" if they reach or exceed a maximum amount of loss of EUR 1 million either as an individual risk or cumulatively.

Risk Handling

Depending on the type of risk and the level of the assessment, measures for risk avoidance or reduction are taken on a graduated scale. Risk management is therefore always geared toward the maxims mentioned earlier regarding the chance-related handling of risks.

The prevention of risks and organization of countermeasures are carried out on a subsidiary basis. The parties responsible for the risk and/or the reporting units are obligated to develop and implement prevention strategies against known risks. If their level of competence is not sufficient to implement them, they must request help from higher levels.

12. Prognosis Report

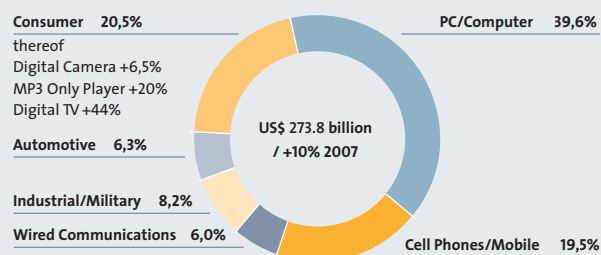
After an excellent 2006 we are expecting a relatively stable 2007 for the equipment industry as a whole. SUSS is however looking with interest to certain fields where new enabling technologies are accelerating growth above and beyond the normal market curve. Both exogenous and endogenous factors will influence SUSS MicroTec's performance in 2007 and beyond. In this prognosis 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

Further growth in the chip industry is anticipated for 2007, and this year there is more consensus amongst the analysts, with the majority of the institutes assuming growth rates of approximately 7% to 10%. Major forces for this growth are shown in the graph below.

Semiconductor Growth 2007

in %



Source: iSupply/Gartner/SIA November 2006

The Semiconductor Equipment Industry

After double-digit growth in the equipment industry in 2006, most major institutes are expecting single-digit growth in 2007, returning to double digits in 2008. VLSI, for instance, is anticipating about 3% growth for the semiconductor equipment industry as a whole, with SEMI predicting closer to 4%. Generally the industry is expecting milder, more moderate cycles enabling a better prediction of each quarter and the year as a whole. Additionally the increased diversity of end products and industries directly benefiting from semiconductor and related technologies ensures cross-cycle profitability. As we have stated in the past, the SUSS MicroTec business cycle does not directly follow the market due to many systems being sold into research and pilot production. However, the mood of the overall market does have a noticeable effect on the business climate of our major customers. From a regional viewpoint, Asia is clearly the growth leader as it has been in the past (see chart below).

Market Region	2005 Actual \$ billion	2006 \$ billion	Change in %	2007 \$ billion	Change in %	2008 \$ billion	Change in %	2009 \$ billion	Change in %
North America	5.70	7.83	37.2	8.11	3.6	8.54	5.3	8.83	3.4
Japan	8.18	9.11	11.3	9.63	5.7	10.77	11.9	11.25	4.4
Taiwan	5.72	6.91	20.8	7.03	1.7	8.70	23.7	9.44	8.6
Europe	3.26	3.66	12.1	3.76	2.9	3.92	4.4	4.08	4.1
South Korea	5.83	6.98	19.9	7.19	2.9	8.16	13.6	8.50	4.1
China	1.33	2.39	80.4	2.42	1.0	2.97	22.8	3.23	8.7
Rest of World	2.86	3.76	31.3	4.01	6.8	4.70	17.2	5.00	6.3
Total Equipment	32.88	40.64	23.6	42.14	3.7	47.77	13.3	50.32	5.4

Source: SEMI, December 2006

SUSS anticipates further growth within the Asian market after extensive and ongoing changes to its sales centers within the region. However, it should be noted here that we still anticipate strong sales in North America and Europe where much of our customer's development work is undertaken before it is transferred for mass production to Asian fabs.

As already stated in our Annual Report 2005, we still believe that the developments in the semiconductor industry over the past few years have almost certainly proved the theory that the industry is maturing slowly. Customers are now responsibly deploying capital, and the irrational spending sprees of the past seem to have gone. Although there will still be some sharp swings and volatilities, we feel that they will be of lesser amplitude than in the past. We therefore cannot rule out variations of +/-10% to +/-20% in individual years, but we no longer expect any sales leaps such as we saw in 2000 (+86%) (information according to earlier US-GAAP accounting). We continue to assume that the equipment industry will level off in this phase to a long-term growth in the order of magnitude of 10%.

Expected Development in the Major Markets

The Advanced Packaging Market

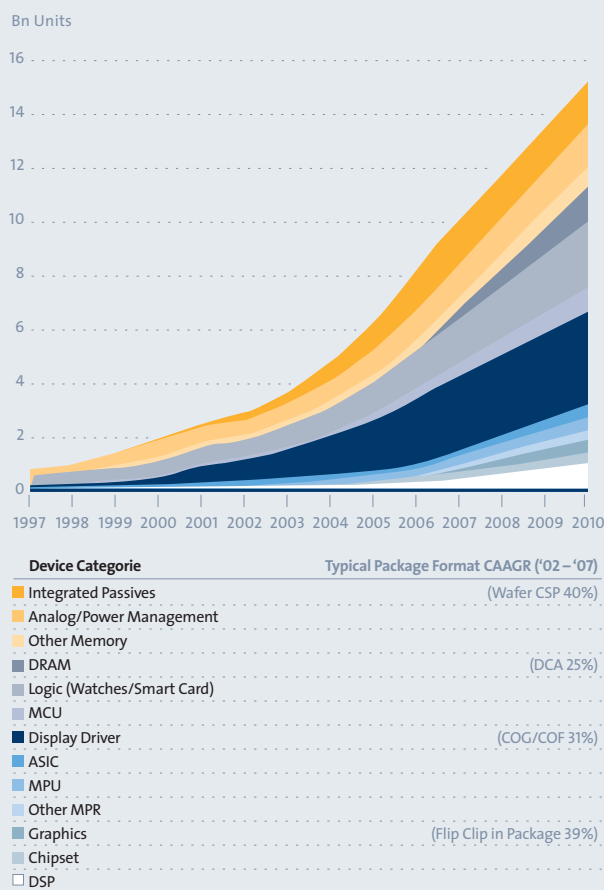
This is the market where we are expecting the strongest growth dynamic within the SUSS MicroTec Group as investment in innovative processes will continue to grow. Tighter pitches, smaller bumps, not to mention looming lead-free regulations, are all calling for completely new packaging technologies – ones that can flexibly react to ever-changing market demands. This will mean growth for the lithography segment as the lithography products in the form of high-sales production machines are almost the only ones that currently address this market. In the future, C4NP, which is solely targeted at this market, is also supposed to generate significant sales contributions from this market.

The main reason for this expected dynamic is the fact that growth in this area is not merely dependent on the growth of the industry as a whole. In fact, we expect that over the course of time advanced packaging will continue to squeeze out the classic wire bonding for certain chip types. Due to this technology displacement, growth potential emerges even in times of stagnating or declining overall market developments in the semiconductor industry. Several research institutes confirm our assumptions. While only about 5% to 10% of all chips are currently being manufactured using the modern contacting method, this figure is expected to double by the year 2010. This means that over the next 3 to 4 years the existing capacity for advanced packaging – which was primarily installed during the last 10 years – must likewise double. We expect a high percentage of this capacity expansion to accrue to the 300 mm production lines. We are also assuming that our good competitive position with Asian contract manufacturers will remain unchanged. The following chart shows a forecast of how the application of advanced packaging technology is expected to develop for various types of chips by 2010.

The research institute Prismark believes that annual growth rates of 20% or more are quite possible in this market as the chart shows. Added to this are other significant business opportunities which could again effectively increase this growth:

Global Consumption of Flip Chip Devices

(Incl. Flip Chip in Package, DCA, COF/COG und Wafer CSP)



Interest in C4NP technology remains very high. We have made excellent progress in the development of the C4NP toolset and the reliability tests prove the superiority of the technology. However, discussions with IBM, potential customers and our own experiences with the manual toolset led us to reevaluate the production tools that we will offer the packaging market. Instead of offering potential customers single systems capable of 300 wafer starts per day, we have decided to offer more versatile systems

capable of 150 wafer starts per day each, thus enabling a smoother production ramp-up. In the prognosis section last year we stated that we were hoping for early-adopters of C4NP technology to be found in 2006. While this proved not to be the case, we are still confident that this technology will be accepted in the very near future.

The Microsystems Technology (MEMS) Market

Microsystems technology, or MEMS as it is also known, is characterized by a high level of diversification, both in terms of the products and the manufacturers of these products. In contrast to the microchip, which is generally manufactured very cost effectively in large quantities, the quantities for microsystems are often smaller and the number of different products significantly greater. Microsystems technology is not dependent on individual end markets, but instead is influenced by the general economic environment and the investment climate. More and more MEMS applications are finally showing the signs of commercialization, and in this sector the equipment industry will see large demand for high quality production tools that can improve yield and for the test tools that can monitor this yield. These tools will be tantamount to the MEMS industry's commercial success.

Global MEMS Device Markets and Forecasts by Application

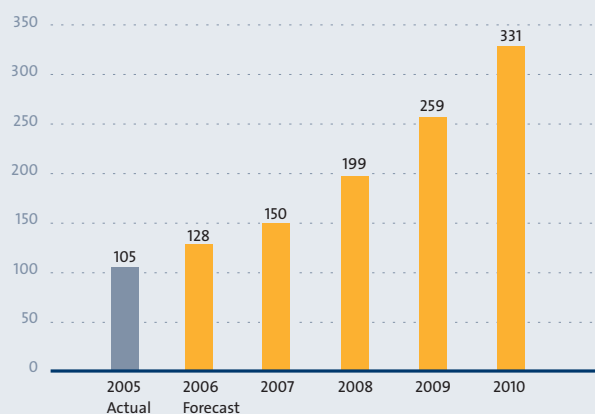
MEMS Device Market	Actual 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	CAGR %
Inkjet Heads	1,532	1,663	1,660	1,881	2,004	2,015	6
Pressure Sensors	911	1,053	1,150	1,172	1,206	1,254	7
Silicon-Microphones	65	116	172	259	330	398	44
Accelerometers	393	439	487	550	666	869	17
Gyroscopes	558	635	722	808	874	930	11
MOEMS (incl. DMDs)	1,292	1,743	2,069	2,348	2,748	3,154	20
Mikrofluidics	404	453	508	629	732	849	16
RF MEMS	105	128	150	199	259	331	26
Micro Fuel Cells	0	0	0	1	26	65	NA
Total US\$M	5,261	6,230	6,918	7,848	8,846	9,864	13

Source: Yole Développement, June 2006

Yole, a leading research agency in the MEMS field is predicting a 13% CAGR for the entire MEMS device market and a 6% CAGR for the equipment to make those microsystems devices. Interestingly enough RF MEMS, one of the smallest segments of the MEMS device market in 2005 (2% market share), is rapidly becoming the next “killer application” with compound annual growth rates of 26% right up until 2010. This is mainly due to their better performance and reliability than traditional counterparts and so therefore more suitable for military and space applications. In the consumer market (mainly cell phones) the volume is lower, but users are prepared to pay premium prices for better performance. Silicon microphones are also experiencing a veritable boom with a CAGR of 44%.

Global RF MEMS

in USD million



Source: Yole Développement, June 2006

From an equipment market perspective, 2 of the 3 main drivers are strong products for SUSS – wafer bonding and test. Yole predicts a 10% CAGR for wafer bonding sales into the microsystems market and a 7% increase for test systems. The recent increase in sales in the wafer bonding segment are in part due to this phenomena. Interest in SUSS' specialized test systems for MEMS is also on the increase.

Compound Semiconductor Market

In the case of compound semiconductors, the future market development for our products continues to be difficult to assess, as it is a very diverse market, often with extreme fluctuations (such as the telecomms crash of recent years). One of the big drivers within the compound semiconductor field is the LED. The research institute ISuppli predicts that the high brightness segment will enjoy compound annual growth rates up to 57% through 2011. SUSS is well positioned to take advantage of these growth rates, as virtually all product lines are sold within this market.

Endogenous indicators

Major restructuring within the group with respect to operations and sales was started in 2004 and was largely completed in 2006. These changes position us ideally to take advantage of the positive market outlook predicted by the research institutes and our customers.

13. Statement on the Projected Development of the Group

For the Group as a whole, we are aiming for an average growth rate of approximately 10% in sales over the next three to five years. In addition to the usual capacity expansions from the installation of new production lines, we are also expecting increased sustainable sales contributions in the future, based on investment in equipment replacement. We were already able to invest in replacements for individual major customers during the last two years, where greater requirements in specifications as well as increased output of the newer machines were decisive factors in the replacement of existing equipment. In addition, the gross profit margin is expected to increase to 45% to 47% over the long term, outpacing today's performance mainly thanks to scale effects, improved manufacturing processes and new products.

The expenditure for research and development should increase and represent up to 10% of sales in the future. With the given sales growth and relatively low cost growth for distribution and administration, the Group should then be able to achieve EBIT margins (with reference to sales) of 10% and more. Protected by this type of earnings performance, the operating business should generate sufficient free cash flow so that no additional liquidity needs arise for the organic growth of the base business. With respect to the regional breakdown, we still continue to expect Asia to grow disproportionately over the long term, due to the focus on advanced packaging.

Based on the current order backlog, as well as business development and the investment climate at the beginning of 2007, we consider sales being in line with our 2006 sales. The target is to maintain EBIT margin to exceed again 10% of sales. The break-even sales based on EBIT are currently at approximately EUR 115 to 120 million.

14. Forward-Looking Statements

This annual report contains information and prognoses that refer to the future development of the SUSS 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, March 16, 2007

The Management Board

Dr. Stefan Schneidewind
Stephan Schulak

IFRS – Consolidated Statement of Income

TEUR	Notes	01/01 – 12/31/2006	01/01 – 12/31/2005
Sales	(3)	155,491	117,540
Cost of sales	(4)	-85,847	-70,567
Gross profit		69,644	46,973
Selling costs		-24,349	-22,126
Research and development costs		-7,030	-7,204
Administration costs		-20,704	-21,312
Impairment loss of goodwill	(5)	0	-1,839
Other operating income	(6)	1,432	4,257
Other operating expenses	(7)	-2,959	-2,953
Result from at-equity investments	(11)	0	-22
Analysis of net income from operations (EBIT):			
EBITDA (Earnings before Interest and Taxes, Depreciation and Amortization)		22,171	5,793
Depreciation and amortization of tangible assets, intangible assets and investments in subsidiaries	(11)	-6,137	-10,019
Net income from operations (EBIT)		16,034	-4,226
Interest expenses	(8)	-943	-2,001
Interest income	(8)	522	592
Income before taxes		15,613	-5,635
Income taxes	(9)	-700	-2,593
Net profit or loss		14,913	-8,228
Thereof minority interests		114	5
Thereof equity holders of SUSS MicroTec		14,799	-8,233
Earnings per share	(10)		
Basic earnings per share in EUR		0.88	-0.52
Diluted earnings per share in EUR		0.87	-0.52

IFRS – Consolidated Balance Sheet

TEUR			
Assets	Notes	12/31/2006	12/31/2005
Non-current assets		52,435	50,401
Intangible assets	(12)	14,514	13,668
Goodwill	(13)	22,726	23,560
Tangible assets	(14)	4,948	5,384
Associates measured at equity	(15)	0	0
Other investments	(16)	5	33
Tax assets	(21)	598	0
Other assets	(17)	417	364
Deferred tax assets	(9)	9,227	7,392
Current assets		104,840	106,920
Inventories	(18)	57,964	53,837
Accounts receivable	(19)	23,244	23,681
Securities	(20)	9	58
Tax receivables	(21)	1,265	1,120
Cash and cash equivalents		20,459	26,325
Other assets	(22)	1,899	1,899
Balance sheet total		157,275	157,321
Liabilities			
Shareholders' equity		99,155	84,165
Subscribed capital	(23)	17,007	16,793
Reserves	(23)	82,339	66,640
Accumulated other comprehensive income	(23)	-354	683
Minority interests		163	49
Non-current liabilities		11,787	13,800
Pension provisions	(24)	2,596	2,581
Other provisions	(25)	586	455
Financial debt	(26)	2,677	5,957
Other liabilities	(27)	195	245
Deferred tax liabilities	(9)	5,733	4,562
Current liabilities		46,333	59,356
Other provisions	(28)	5,030	3,968
Tax liabilities	(29)	1,338	394
Financial debt	(26)	3,116	12,832
Accounts payable		6,418	6,061
Other liabilities	(29)	30,431	36,101
Balance sheet total		157,275	157,321

IFRS – Consolidated Statement of Cash Flows

TEUR	01/01 – 12/31/2006	01/01 – 12/31/2005
Net profit or loss	14,913	-8,228
Amortization of intangible assets	3,700	4,227
Impairment loss of goodwill	0	1,839
Depreciation of tangible assets	2,437	3,931
Change of at-equity measured associates	0	22
Profit or loss on disposal of intangible and tangible assets	202	266
Change of reserves on inventories	1,526	297
Change of reserves for bad debts	-10	-312
Non-cash stock based compensation	403	458
Non-cash income from the reversal of provisions	-417	-1,178
Non-cash interest expenses from increase of convertible debt	127	546
Other non-cash effective income and expenses	2,400	-1,835
Change in inventories	-8,009	6,016
Change in accounts receivable	-1,290	1,934
Change in other assets	-796	1,016
Change in pension provisions	67	16
Change in accounts payable	1,368	191
Change in other liabilities and other provisions	-1,544	-4,255
Change of deferred taxes	-664	2,001
Cash flow from operating activities	14,413	6,952

IFRS – Consolidated Statement of Cash Flows

TEUR	01/01 – 12/31/2006	01/01 – 12/31/2005
Payments in tangible assets	-2,291	-1,704
Payments in intangible assets	-4,968	-4,273
Proceeds from disposal of intangible and tangible assets	9	972
Cash flow from investing activities	-7,250	-5,005
Increase of bank loans	398	1,250
Repayment of bank loans	-7,374	-2,376
Repayment of convertible bond	-3,622	-5,634
Change of current bank liabilities	-2,314	1,061
Change in other financial debt	-127	170
Proceeds from share capital contribution	0	6,844
Payments for expenses related to capital contribution	0	-109
Proceeds from issuance of common stocks	711	199
Cash flow from financing activities	-12,328	1,405
Adjustments to funds caused by exchange-rate fluctuations	-701	439
Change in cash and cash equivalents	-5,866	3,791
Funds at beginning of the year	26,325	22,534
Funds at end of the period	20,459	26,325
Cash flow from operating activities includes:		
Interest paid during the period	862	1,257
Interest received during period	522	592
Tax paid during the period	1,132	455
Tax refunds during the period	0	392

IFRS – Consolidated Statement of Shareholders' Equity

TEUR	Number of shares (in thousands)	Subscribed capital
As of 1 January 2005	15,157	15,157
Proceeds from share capital contribution	1,456	1,456
Expenses related to share capital contribution, net of tax		
Issuance of shares: Exercise of stock options	180	180
Issuance of subscription rights		
Net profit loss or loss		
Unrealized loss from securities, net of tax		
Foreign currency adjustment		
As of 31 December 2005	16,793	16,793
As of 1 January 2006	16,793	16,793
Issuance of shares: Exercise of stock options	214	214
Issuance of subscription rights		
Net profit loss or loss		
Unrealized loss from securities, net of tax		
Foreign currency adjustment		
As of 31 December 2006	17,007	17,007

Additional paid-in capital	Earnings reserve	Retained earnings	Accumulated other comprehensive income	Minority interests	Total
84,917	433	-16,233	-902	44	83,416
5,388					6,844
-109					-109
19					199
458					458
		-8,233		5	-8,228
			-10		-10
			1,595		1,595
90,673	433	-24,466	683	49	84,165
90,673	433	-24,466	683	49	84,165
497					711
403					403
		14,799		114	14,913
			-31		-31
			-1,006		-1,006
91,573	433	-9,667	-354	163	99,155

Fixed Asset Schedule (2006)

TEUR	Acquisition and manufacturing costs					12/31/2006
	01/01/2006	Translation adjustment	Additions	Reclassifications	Disposals	
I. Intangible assets						
1. Concessions, intellectual property 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
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
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	Reclassi- fications	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

Fixed Asset Schedule (2005)

TEUR	Acquisition and manufacturing costs					12/31/2005
	01/01/2005	Translation adjustment	Additions	Reclassifications	Disposals	
I. Intangible assets						
1. Concessions, intellectual property and similar rights and assets as well as licenses to such rights and assets	16,777	-274	175	0	0	16,678
2. Development costs	10,904	548	4,098	0	0	15,550
3. Capitalized leased property Software	184	2	0	0	13	173
	27,865	276	4,273	0	13	32,401
II. Goodwill	36,892	1,079	0	0	0	37,971
III. Tangible assets						
1. Land, buildings, fixtures	7,400	183	136	440	2,057	6,102
2. Technical equipment and machinery	9,139	1,073	250	0	26	10,436
3. Other equipment, office and plant furnishings	10,572	350	547	-440	380	10,649
4. Motor vehicles	541	30	47	0	52	566
5. Facilities under construction	0	0	71	0	0	71
6. Capitalized leased property						
Land, buildings, fixtures	632	5	90	0	600	127
Technical equipment and machinery	874	-1	528	0	26	1,375
Other equipment, office and plant furnishings	1,226	-97	35	0	3	1,161
	30,384	1,543	1,704	0	3,144	30,487
IV. Financial assets						
1. Investments in associated companies, at equity	2,095	0	0	0	0	2,095
2. Other investments	201	0	0	0	0	201
	2,296	0	0	0	0	2,296

Depreciation and amortization

Net book values

01/01/2005	Translation adjustment	Additions	Reclassi- fications	Disposals	12/31/2005	12/31/2004	12/31/2005
11,120	-354	1,851	0	0	12,617	5,657	4,061
3,376	254	2,347	0	0	5,977	7,528	9,573
122	1	29	0	13	139	62	34
14,618	-99	4,227	0	13	18,733	13,247	13,668
12,572	0	1,839	0	0	14,411	24,320	23,560
3,795	163	1,622	125	834	4,871	3,605	1,231
6,823	930	1,105	0	26	8,832	2,316	1,604
8,485	232	710	-125	367	8,935	2,087	1,714
499	21	24	0	50	494	42	72
0	0	0	0	0	0	0	71
316	1	304	0	600	21	316	106
713	-1	136	0	26	822	161	553
1,125	-24	30	0	3	1,128	101	33
21,756	1,322	3,931	0	1,906	25,103	8,628	5,384
2,073	0	22	0	0	2,095	22	0
168	0	0	0	0	168	33	33
2,241	0	22	0	0	2,263	55	33

IFRS – Segment Reporting

Segment Information by Business Segment

TEUR	Lithography		Substrate Bonder	
	2006	2005	2006	2005
Sales	92,078	66,554	14,124	6,074
Result per segment	18,486	4,626	-508	-4,016
Result from equity method accounting	0	-22	0	0
Significant non-cash items	-1,083	290	-90	67
Segment assets	59,698	66,281	21,560	14,638
- thereof Goodwill	13,599	13,599	0	0
Unallocated assets				
Total assets				
Segment liabilities	-19,429	-28,737	-6,286	-4,393
Unallocated liabilities				
Total liabilities				
Depreciation and amortization	3,138	3,771	1,081	1,010
- thereof scheduled	3,138	3,290	1,081	1,010
- thereof impairment loss	0	481	0	0
Capital expenditure	1,848	1,227	1,584	446
Average workforce during the year	298	275	85	75

Segment Information by Region

TEUR	Sales		Capital Expenditure		Assets	
	2006	2005	2006	2005	2006	2005
Europe	43,225	41,588	4,183	4,550	78,196	73,719
North America	47,684	42,170	2,700	703	42,594	43,485
Japan	17,098	7,669	103	18	3,329	4,185
Rest of Asia	47,170	26,112	80	30	579	718
Rest of world	314	0	193	676	2,345	3,759
Consolidation effects	0	0	0	0	-3,647	-5,736
Total	155,491	117,540	7,259	5,977	123,396	120,130

Device Bonder		Test Systems		Other		Total	
2006	2005	2006	2005	2006	2005	2006	2005
7,085	6,129	30,194	28,752	12,010	10,030	155,491	117,540
1,042	-3,932	3,251	2,074	-4,545	-4,457	17,726	-5,706
0	0	0	0	0	0	0	-22
-350	134	426	-44	-405	289	-1,502	736
7,264	5,515	17,708	20,265	17,166	13,431	123,396	120,130
0	0	4,317	4,597	4,810	5,364	22,726	23,560
						33,879	37,191
						157,275	157,321
-2,918	-1,048	-6,008	-6,836	-4,031	-2,476	-38,672	-43,490
						-19,448	-29,666
						-58,120	-73,156
170	3,081	308	440	1,440	1,717	6,137	10,019
170	186	308	440	1,440	1,717	6,137	6,643
0	2,895	0	0	0	0	0	3,376
54	29	239	184	3,534	4,091	7,259	5,977
43	45	129	128	169	161	724	684

Notes to the Consolidated Financial Statements according to IFRS for 2006

(1) Description of business activity

SUSS MicroTec AG (the “entity” or “company”), domiciled at Schleissheimer Str. 90, D-85748 Garching, and its subsidiaries constitute an international enterprise 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, and Saint Jeoire in France. The products are distributed via the production facilities themselves and through distribution companies in the United Kingdom, Japan, Thailand, Taiwan and China. In countries in which the group does not have offices of its own, distribution is organised through trade representatives.

(2) Summary of the principal accounting principles

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), approved and published by the International Accounting Standards Board (IASB) as 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.

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:

IFRS 7 “Financial Instruments: Disclosures”

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

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

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

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

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

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

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

IFRIC 8 “Scope of IFRS 2”

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

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

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

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

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

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

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

IFRIC 9 “Reassessment of Embedded Derivatives”

On 1 March 2006 the International Financial Reporting Interpretations Committee (IFRIC) published the interpretation IFRIC 9 “Reassessment of Embedded Derivatives”. IFRIC 9 addresses the issue of accounting for embedded derivatives pursuant to IAS 39. Under the assumptions mentioned in IAS 39.11, a judgement must be made as to whether the embedded derivative can be separated from the underlying contract and whether it can be modelled according to the accounting rules for derivative financial instruments.

IFRIC 9 is applicable for financial years beginning on or after 1 June 2006, with earlier application being recommended.

SUSS MicroTec AG does not expect any effects from the initial application in the financial year 2007.

IFRIC 10 “Interim Financial Reporting and Impairment”

In July 2006 the IFRIC published the interpretation IFRIC 10 “Interim Financial Reporting and Impairment”. IFRIC 10 requires that an entity must subject goodwill, equity instruments, etc. that are measured at cost to an impairment test at each reporting date (IAS 36, ISA 39). From a following reporting date, circumstances may have changed to such an extent that the impairment would be lower or might be averted altogether. The interpretation sets forth whether a revaluation must be made.

IFRS 10 is to be applied for financial years beginning on or after 1 November 2006.

IFRIC 11, IFRS 2 “Group and Treasury Share Transactions”

On 2 November 2006 the International Financial Reporting Interpretations Committee (IFRIC) issued the interpretation IFRIC 11 IFRS 2 “Group and Treasury Share Transactions” using treasury shares or shares issued by other group entities. The interpretation addresses the question of how group-wide share-based remuneration should be accounted for, what effects employee changes have within the group and how share-based remuneration must be treated, where in the entity issues owned shares or must acquire shares from a third party.

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

SUSS MicroTec AG has not yet examined the effects of IFRIC 11 on the consolidated financial statements.

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 1 January 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.

c) Principal accounting and measurement methods

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

Intangible assets

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

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

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

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

Tangible assets

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

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

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

In the case of rented assets, a distinction is made between a “finance lease” and an “operating lease” as set out in IAS 17. Finance lease items are capitalised at the present value of all future minimum lease payments and the leasing debt is recorded on the liabilities side. The capitalised items are depreciated over their relevant useful life, the lease debt is redeemed and interest is paid in accordance with the terms and conditions of the lease agreement. In the case of an operating lease, there is no capitalisation, and the lease payments are recorded as expense in the periods when incurred.

There was no re-measurement of tangible assets 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 realisable amount for individual assets, the cash flow is determined for the next higher grouping of assets for which such a cash flow can be computed. Allocation of goodwill is on the basis of the reporting units (segments).

The net cash flow from further use will be determined for the immediate future 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 4.6% (2005: 9.6%) has been computed. The forecast net cash flow is discounted using a risk-adjusted interest rate of 9.6% (2005: 9.0%).

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.

Associates measured at equity

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

Other investments

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

Inventories

Inventories are measured at manufacturing or acquisition costs or, if lower, net realisable value. The net realisable value is the selling proceeds that can probably be obtained less the costs to be incurred prior to sale. 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 capitalised.

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.

Receivables and other assets

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

Securities

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

Share option schemes

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

Pension provisions (Employee Benefits)

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

Other provisions

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

Payables and other liabilities

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

Sales

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

If in addition to the delivery of a machine, installation and final acceptance have also been contractually agreed with the customer, revenues are only realised when installation and assembly have been completed.

Revenues from services are realised when the performance has been rendered or, in the case of service contracts, on a pro-rata basis. In the case of sales of spare parts, the revenue is realised on delivery.

Cost of sales

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

Research and development costs

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

Other operating expenses and income

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

Deferred taxes

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

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

EPS – Earnings per share

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

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

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

Derivative financial instruments

The SUSS group enters into derivative financial instruments in order to hedge currency risks.

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

Treatment of subsidies

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

Use of estimates

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

The assumptions and estimates relate mainly to the uniform group-wide specification of useful lives, the treatment and measurement of provisions, the parameters for the measurement of pension provisions and share options at the time they are granted and the ability to realise future tax benefits. In addition, estimates and assumptions are necessary when reviewing goodwill (impairment test).

d) 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.

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

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

Translation of annual financial statements in foreign currency

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

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

	2006		2005	
	Balance Sheet	P&L	Balance Sheet	P&L
1 EUR vs 1 USD	1.32	1.26	1.18	1.25
1 EUR vs 100 JPY	156.65	146.17	139.13	137.14
1 EUR vs 1 GBP	0.67	0.68	0.69	0.69
1 EUR vs 1 CHF	1.61	1.58	1.56	1.55
1 EUR vs 100 TWD	42.90	40.91	39.12	40.25
1 EUR vs 100 CNY	10.29	9.86	9.38	10.05
1 EUR vs 100 THB	46.77	47.61	48.62	50.18

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

Disclosures on the scope of consolidation

Karl Suss Geschäftsführungs GmbH, that in the past was recognised in the consolidated financial statements at acquisition cost, was renamed SUSS MicroTec REMAN GmbH during the reporting year and included as of 1 July 2006 in the scope of consolidation as a fully-consolidated subsidiary. Since this date, this company has been operating the used machine business of the "Lithography" segment that it took over from SUSS MicroTec Lithography GmbH. This did not give rise to any material change in the results of operations, financial situation or net assets of the group.

There were no other changes to the scope of consolidation in the financial year 2006. Therefore, the following subsidiaries and associates of SUSS MicroTec AG (ultimate parent company) were included in the consolidated financial statements as at 31 December 2006 (figures on capital and net annual profit/loss 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	17,006,926.00 EUR	HOLDING	98,363,695.18 EUR	-1,921,558.57 EUR	
SUSS MicroTec Lithography GmbH, Garching	2,000,100.00 EUR	100%	11,541,055.21 EUR	6,135,546.51 EUR	full
SUSS MicroTec Test Systems GmbH, Sacka (*)	511,291.88 EUR	100%	8,122,120.88 EUR	671,305.04 EUR	full
SUSS MicroTec Laboratory Equipment GmbH, Singen	26,000.00 EUR	100%	141,669.01 EUR	-46,846.86 EUR	full
SUSS MicroTec Ltd., Wokingham Berkshire	10,000.00 GBP	100%	1,446,703.99 GBP	41,024.67 GBP	full
SUSS MicroTec KK, Yokohama	30,000.00 JPY	100%	387,875.00 JPY	28,616.00 JPY	full
SUSS MicroTec S.A.S., St. Jeoire	1,275,000.00 EUR	100%	1,706,938.00 EUR	231,916.00 EUR	full
SUSS MicroOptics S.A., Neuchatel	500,000.00 CHF	85%	1,686,489.11 CHF	1,187,189.71 CHF	full
SUSS MicroTec Inc., Waterbury	105,000.00 USD	100%	7,495,474.35 USD	-844,242.15 USD	full
SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu	5,000,000.00 TWD	100%	64,351,109 TWD	50,633,453 TWD	full
SUSS MicroTec Company Ltd., Shanghai	1,655,320.00 CNY	100%	4,738,481.69 CNY	910,771.14 CNY	full
Image Technology Inc., Palo Alto	24,287.00 USD	100%	2,151,275.43 USD	1,041,301.55 USD	full
MFI Technologies Group)	2,737,476.00 USD	100%	-4,225,529.31 USD	-34,500.71 USD	full
HUGLE Lithography Inc., Sunnyvale	1,190,442.00 USD	53.1%	-39,579.00 USD	-3,894.00 USD	at equity
SUSS MicroTec Company Ltd., Bangkok	4,000.00 THB	49%	14,620.82 THB	964,15 THB	full
SUSS MicroTec REMAN GmbH, Oberschleißheim	25,564.59 EUR	100%	-217,382.43 EUR	-256,799.18 EUR	full
Zentrum für Technologiestrukturentwicklung, Glaubitz	51,129.19 EUR	10%	n/a	n/a	at cost
ELECTRON MEC. S.R.L., Milan	n/a	10%	n/a	n/a	none

(*) Net income before profit pooling agreement with SUSS Micro Tec AG

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

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

Company acquisitions

The company did not make any acquisitions, either in the financial year 2006 or in the prior year.

Explanations to the IFRS Consolidated Income Statement

(3) Sales

The sales revenues are made up as follows:

TEUR	2006	2005
Machines	121,798	90,487
Spare parts	15,167	9,834
Service	6,266	6,381
Other	12,260	10,838
Total	155,491	117,540

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

(4) Cost of sales

The cost of sales includes amortisation of capitalised development performances of TEUR 2,326 (2005: TEUR 2,347).

In addition, write-downs on demonstration equipment and finished products in the amount of TEUR 1,367 (2005: TEUR 1,524) are included in the cost of sales. Revaluations of TEUR 31 were recorded during the reporting year on raw materials, supplies and consumables. In the prior year a write-down of TEUR 1,526 was recorded on these inventory items.

(5) Impairment of goodwill

The annual impairment test for the reporting year did not establish any impairment of goodwill.

In the prior year the goodwill in the Device Bonder segment was written down in full in view of the continuing difficult business environment with the weak development of sales and incoming orders. The amount of the impairment was TEUR 1,839.

To determine the recoverable amount in measuring this impairment, the figure used was that of the likely proceeds from a sale of the device bonder segment. The computation of the likely proceeds of sale took into consideration divestment costs and a discounted net cash flow.

(6) Other operating income

Other operating income is made up as follows:

TEUR	2006	2005
Income from the release of provisions	417	1,178
Other subsidies	356	738
Insurance payments	146	18
Foreign currency gains	126	1,558
Income from the release of doubtful accounts	61	342
Lease income	47	54
Income from written-off receivables	0	60
Miscellaneous	279	309
Total	1,432	4,257

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

Whereas in the prior year there were foreign exchange gains, in the reporting year 2006 foreign exchange losses were recorded on account of unfavourable developments on the currency markets.

The income from the release of provisions of the prior year derives mainly from the partial release of the provision set up in 2004 for the severance payment to Dr. Richter, the former chairman of the company's Management Board.

(7) Other operating expenses

The other operating expenses are made up as follows:

TEUR	2006	2005
Foreign currency losses	1,623	590
Losses from the disposal of tangible and intangible assets	51	238
Cancellation fee expense	59	31
Allowances for doubtful accounts	202	266
Impairment of tangible assets	0	1,515
Miscellaneous	1,024	313
Total	2,959	2,953

The foreign currency losses of the reporting year are mainly unrealised currency losses from the measurement of outgoing loans in foreign currency.

As a result of the annual impairment test, a need was identified in the prior year for additional impairment on the device bonder segment, over and above the impairment on goodwill. In order to cover the segment carrying value "Device Bonder" by the divestment value computed for this segment, impairment had to be recorded on the attributable land and building in the amount of TEUR 1,056.

A further write-down of TEUR 459 was recorded to the lower recoverable amount on the building, including fixtures, in Asslar, which was sold after closure of the works during 2005.

(8) Interest expenses and income

The interest expenses are composed as follows:

TEUR	2006	2005
Bank loans	638	828
Convertible debt	227	1,067
Pension provision	78	106
Total	943	2,001

Of the interest expenses from the convertible bond, TEUR 100 (2005: TEUR 521) related to interest payments to the bond creditors and TEUR 127 (2005: TEUR 546) to the topping-up amount in order to reach the repayment amount on maturity.

The interest income is mainly derived from money market investments.

(9) Income taxes

Tax expense, broken down into current and deferred tax, are as follows:

TEUR	2006	2005
German corporate tax	-300	1,579
German trade tax	-180	1,238
Foreign corporate tax	1,180	-224
Subtotal	700	2,593
...current taxes	1,277	538
...deferred taxes	-577	2,055

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

TEUR	2006	2005
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	15,613	-5,635
Expected income taxes	5,830	-2,104
Different foreign tax rates	-403	-37
Trade tax imputation credit of interests on long-term loans	79	69
Devaluation of inter-group loan items	-598	0
Impairment of goodwill	0	613
Other non-tax deductible expenses	274	55
Income taxes from prior years	544	421
Valuation allowance on loss carry-forwards	-3,823	3,915
Utilization of loss carry-forwards not recognized in prior years	-924	-253
Non taxable income	-244	0
Tax credits	-115	0
Miscellaneous	80	-86
Effective taxes	700	2,593

In the light of much better results of operations for many group companies, revaluations in the amount of TEUR 3,823 were recorded on deferred tax assets in the reporting year. 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 booking differences – can probably be realised.

Moreover, the positive results of operations enabled the utilisation of loss carry-forwards from previous years that had been adjusted.

A further reduction in the corporation tax rate occurred through the capitalisation of a corporation tax credit of TEUR 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 on the change of other fiscal regulations) (SEStEG).

In the prior year, adjustments totalling TEUR 3,915 were made on deferred tax assets. The adjustments relate to deferred tax claims of TEUR 2,086 from loss carry-forwards and tax assets set up on temporary differences amounting to TEUR 1,829. The major part of these adjustments was necessary for the subsidiaries in the USA, France, and Japan and for SUSS MicroTec Lithography GmbH.

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

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

TEUR	Assets		Liabilities	
	2006	2005	2006	2005
Other current liabilities	532	1,392	33	
Pension liabilities	1,063	1,268		
Accounts receivable	264	1,501	13	
Other non-current accruals	374	135		
Intangible assets			3,352	2,773
Other current assets	4		135	40
Financial debt			19	201
Goodwill			825	513
Inventories	1,113		460	429
Tangible assets	234		648	606
Miscellaneous	49	480	248	
Loss carry-forwards	5,594	2,616		
Total	9,227	7,392	5,733	4,562

The group has loss carry-forwards amounting to TEUR 36,268 (2005: TEUR 47,175). Of this amount, TEUR 5,160 in all will have lapsed by 31 December 2011, and two years later a further TEUR 1,289 will have lapsed. In the period from 2022 to 2026, a total of TEUR 3,588 will lapse. A portion of the loss carry-forwards, TEUR 26,231, is usable for an indefinite period of time.

The change in the loss carry-forwards in comparison with the prior year results mainly from the utilisation of loss carry-forwards of SUSS MicroTec Lithography GmbH and the adjustment of loss carry-forwards at SUSS MicroTec AG and SUSS MicroTec Inc. as well as the expiry of loss carry-forwards at MFI Technologies Inc.

(10) Earnings per share

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

	2006	2005
Net profit attributable to ordinary equity holders – undiluted –	14,799	-8,233
Adjustments of net profit interest recognised related to dilutive potential ordinary shares	142	n/a
Net profit after consideration of diluting effects	14,941	-8,233
Weighted average number of shares outstanding – undiluted –	16,823	15,722
Dilution due to existing stock option plans	67	n/a
Dilution due to existing warrant-linked bond	373	n/a
Weighted average number of outstanding shares – diluted –	17,263	15,722
Earnings per share (EUR) – undiluted –	0.88	-0.52
Earnings per share (EUR) – diluted –	0.87	-0.52

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

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

(11) Other disclosures on the IFRS consolidated income statement

Personnel expenses

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

TEUR	2006	2005
Wages and salaries	36,750	32,613
Social security expenses	4,856	5,764
Pensions expenses	2,483	2,013
Total	44,089	40,390

The social security expenses contain mainly the employer portions of social security insurance and contributions to the employer's liability insurance scheme.

The expenditures for pension provision include pension expenses from company pension schemes and employer contributions to the statutory pension system.

Cost of materials

The cost of materials in 2006 came to TEUR 54,702 (2005: TEUR 49,212).

Depreciation and impairment

Depreciation and impairment are made up as follows:

TEUR	2006	2005
Intangible assets	3,700	4,227
Goodwill	0	1,839
Tangible assets	2,437	3,931
Associates measured at-equity	0	22
Depreciation and impairment	6,137	10,019

Beside capitalized development costs of TEUR 2,326 (2005: TEUR 2,347), concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets in an amount of TEUR 1,344 (2005: TEUR 1,851) and capitalized leased items in an amount of TEUR 30 (2005: TEUR 29) 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 TEUR 1,097 (2005: TEUR 1,105) is contained under administrative expenses.

In the reporting year, no impairment was performed (2005: TEUR 3,376). The impairment in the prior year related to goodwill (TEUR 1,839), and in the amount of TEUR 1,515 to tangible assets (land & buildings, and other plant, operating & office equipment) in cases where the carrying values were no longer covered by expected sales proceeds or discounted net cash flow from further utilisation.

In addition, as a result of continuing losses, a write-down was recorded on at-equity measured associates in the amount of TEUR 22.

Explanation of Balance Sheet Assets

(12) Intangible assets

Intangible assets include patents, licenses & similar rights of TEUR 2,833 (2005: TEUR 4,061), and capitalized development costs of TEUR 11,679 (2005: TEUR 9,573) as at the balance sheet date. The capitalised development work is mainly connected with the development of a production line for the C4NP technology and of new machines for the Lithography and Substrate Bonder segments.

(13) Goodwill

The goodwill of TEUR 22,726 (2005: TEUR 23,560) shown as at the balance sheet date contains a foreign currency proportion of TUSD 9,588 from the acquisition of US business operations in previous years. Under IAS 21, goodwill arising from the acquisition of a foreign operation and adjustments in the carrying values of the purchased assets and debts to the fair market value must be treated as an asset of the foreign operation and is hence to be translated at the rate on the closing date. The foreign currency differences of the reporting year arising from the measurement as at the balance sheet date amount to TEUR -834 (2005: TEUR 1,079) and are recorded under accumulated other comprehensive income, i.e. without impacting the income statement.

For information on the impairment of goodwill recorded in the prior year, we refer to the disclosure in Note (5).

(14) 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 TEUR 629 (2005: TEUR 692), leased technical equipment & machinery, leased other equipment, office and plant furnishings and leased land, buildings & fixtures, which are attributable to the Group as economic owner on account of the design of the lease agreements on which they are based ("finance leases").

(15) Associates measured at equity

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

(16) 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.

(17) Other non-current assets

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

TEUR	2006	2005
Reinsurance pension obligations	254	196
Deposits	161	167
Others	2	1
Total	417	364

(18) Inventories

The inventories are made up as follows:

TEUR	2006	2005
Materials and supplies	23,899	21,037
Work in process	18,309	9,337
Finished goods	12,796	21,489
Demonstration equipment	12,571	10,032
Merchandise	108	135
Inventory reserves	-9,719	-8,193
Total	57,964	53,837

Of the total inventories of TEUR 57,964 (2005: TEUR 53,837) recognised in the balance sheet as of 31 December 2006, TEUR 6,408 (2005: TEUR 8,162) is accounted for at net realizable value.

(19) Accounts receivable

Accounts receivable breakdown as follows:

TEUR	2006	2005
Accounts receivable – gross	24,360	24,807
Doubtful debts reserves	-1,116	-1,126
Accounts receivable	23,244	23,681

(20) Securities

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

The portfolio of shares was recognised at the balance sheet date at market value, which was determined by the official rate on the stock exchange. The unrealised loss of TEUR 49 (2005: TEUR 17) arising from the change in market valuation was shown under equity in accumulated other comprehensive income, with account taken of deferred taxes and so without any impact on the income statement. The value of the shares as at the end of the year was TEUR 9 (2005: TEUR 58).

(21) Tax receivables

The non-current tax receivables result exclusively from the capitalisation of the corporation tax credits of German group companies in the amount of TEUR 598 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 on the change of other fiscal 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 receivables consist of tax prepayments of TEUR 1,029 (2005: TEUR 865) and of receivables relating to VAT of TEUR 236 (2005: TEUR 255).

(22) Other current assets

The following items are contained under other current assets.

TEUR	2006	2005
Prepaid expenses	724	906
Deposits paid	564	640
Currency forwards	371	107
Others	240	246
Other current assets	1,899	1,899

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

Explanation of Equity & Balance Sheet Liabilities

(23) Shareholders' equity

Subscribed capital

The nominal capital of SUSS MicroTec AG as at the prior year closing date was TEUR 16,793. Following the exercise of, in total, 213,958 subscription rights in the exercise periods provided for under the share option scheme 2002, the nominal capital from contingent capital 2002/II was increased by the issue of new shares against cash contribution by TEUR 214 to TEUR 17,007. It is divided into 17,006,926 individual shares with a notional share in the subscribed capital of EUR 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. Dividends may only be distributed from the distributable profits as recognised 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 TEUR 6,022.

As of 31 December 2006 the company had a contingent capital totaling TEUR 5,874 (2005: TEUR 6,088). It can be used in an amount of up to TEUR 4,800 for the issue of convertible bonds. The remainder in the amount of TEUR 1,074 is for the granting of subscription rights to members of the board or the management and to other management personnel in the group. TEUR 268 relates to the old, closed share option scheme of 1999; TEUR 56 relates to the share option scheme of 2002; and TEUR 750 to the share option scheme of 2005.

TEUR	2006	2005
Subscribed capital	17,007	16,793
Authorized capital	6,022	6,022
Conditional capital	5,874	6,088

Reserves

The group's reserves are composed as follows:

TEUR	2006	2005
Additional paid-in capital	91,573	90,673
Earnings reserve	433	433
Retained earnings	-9,667	-24,466
Total	82,339	66,640

Additional paid-in capital reserve increased by TEUR 497 during the reporting year as a result of the exercise of share options. In addition, TEUR 403 was allocated to the additional paid-in capital from the granting of subscription rights under the existing share option schemes, with effect on income.

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

The earnings reserve are unchanged over the prior year.

The retained earnings increased by the amount of the net profit for the year of TEUR 14,799, after accounting for minority shares, to stand at TEUR -9,667.

Accumulated other comprehensive income

The development of accumulated other comprehensive income is as follows:

TEUR	2006	2005
Foreign currency conversions	715	-880
Unrealized loss from securities	-32	-22
January 1	683	-902
Pre-tax changes		
Foreign currency conversions	-1,006	1,595
Unrealized gain from securities	-49	-16
Tax effects		
Unrealized gain from securities	18	6
December 31	-354	683

Share option schemes of SUSS MicroTec AG

Share option scheme 1999

At the shareholders' meeting held on 6 April 1999, a resolution was passed to increase the nominal capital by up to TEUR 800 through the issue of up to 800,000 shares in order to grant subscription rights to members of the Management Board, of management and further managerial personnel of the group companies until 31 March 2004. Fifty percent of the subscription rights can be exercised after a waiting period of 3 years, and 50% after a waiting period of 5 years.

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

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

Share option scheme 2002

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

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

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

or

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

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

Share option scheme 2005

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

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

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

or

- the listed rate of the SUSS MicroTec share in the period between issue day and first day of the exercise period in which the share option is exercised has risen by at least 0.833% per full calendar month.

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

In the reporting year, an amount of TEUR 403 (2005: TEUR 458) was allocated for these schemes to the additional paid-in capital with effect on the income statement.

Of the capital approved at the shareholders' meeting held on 21 June 2005, in the reporting year a total of 209,500 subscription rights was granted at a subscription price of EUR 7.53. In the prior year, 193,000 subscription rights were granted at a subscription price of EUR 4.95.

As of 31 December 2006 there were in total 413,900 outstanding subscription rights (2005: 673,027 subscription rights).

The weighted average market value of the options granted in 2006 in the amount of EUR 2.9513 was computed using the Black-Scholes option valuation model.

The following parameters were used to determine the market value:

	2006	2005
Expected average term	5 years	5 years
Risk-free interest rate	4.04%	2.82%
Expected volatility of SUSS shares	48%	31%
Expected dividend yield	0%	0%

For the computation of 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 EUR
Jan 01, 2005	761,963	11.64
granted 2005	193,000	4.95
exercised 2005	180,000	1.11
expired 2005	101,936	12.37
Dec 31, 2005	673,027	12.42
granted 2006	209,500	7.53
exercised 2006	213,958	3.33
expired 2006	254,669	18.60
Dec 31, 2006	413,900	10.85
negotiable	347,500	

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

Subscription price level	Number of stock options	weighted average sub- scription price EUR	weighted average term of maturity month
under EUR 10.00	345,900	5.97	49
EUR 10.00 – EUR 19.99	0	0.00	0
EUR 20.00 – EUR 24.99	0	0.00	0
EUR 25.00 – EUR 29.99	0	0.00	0
EUR 30.00 – EUR 35.99	68,000	35.44	5
EUR 36.00 above	0	0.00	0
	413,900	10.85	42

(24) Pension provisions

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

A distinction is made between 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 recorded with effect on income, and no provisions are set up.

The pension obligations are as follows:

TEUR	2006	2005
Domestic liabilities	1,995	2,124
Foreign liabilities	601	457
Total	2,596	2,581

Defined benefit plans

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

TEUR	2006	2005
Discount factor	4.25% – 4.50%	4.00%
Expected return on plan assets	4.50% – 4.75%	4.70%
Salary increase	0.0%	0.0%
Pension increase	1.0%	1.0%

Life expectancy according to tables of Dr. Heubeck 2005

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

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

The present values of defined benefit obligations and the market values of the plan assets developed in the financial years 2006 and 2005 as follows:

TEUR	2006	2005
Defined benefit obligation as of January 1	4,013	3,607
Service cost	225	108
Interest cost	137	164
Pension payments	-255	-255
Actuarial (-) gain / (+) loss	-54	389
Foreign exchange fluctuations	-80	0
Defined benefit obligation as of December 31	3,986	4,013

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

TEUR	2006	2005
Plan assets as of January 1	1,265	1,248
Expected return on plan assets	59	58
Net contributions	-42	-42
Actuarial (-) gain / (+) loss	-1	1
Plan assets as of December 31	1,281	1,265

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

TEUR	2006	2005
Defined benefit obligation	3,986	4,013
Plan assets	-1,281	-1,265
Net obligation	2,705	2,748
Actuarial (-) gain / (+) loss not yet recognised	-109	-167
Balance sheet amount as of December 31	2,596	2,581

Of the present value of the pension obligations, TEUR 1,861 (2005: TEUR 1,770) relates to pension claims financed by funds.

The pension expenses break down as follows:

TEUR	2006	2005
Service costs	225	108
Personnel expenses component	225	108
Interest expenses component	137	164
Expected income from plan assets	-59	-58
Interest expenses component	78	106

The personnel expense component of the reporting year relates in the amount of TEUR 152 (2005: TEUR 31) to administrative costs and in the amount of TEUR 73 (2005: TEUR 77) to selling expenses.

The development of the present value of defined benefit obligations and plan assets, is shown in the following table:

TEUR	2006	2005	2004
Defined benefit obligation	3,986	4,013	3,607
Plan assets	1,281	1,265	1,248
Funded status	2,705	2,748	2,359

Adjustments on the basis of experience in accordance with IAS 19.120 Ap were not necessary in the period under review because the quantities subject to measurement were unchanged.

Defined contribution plans

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

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

Under the 401 (k) plan, the employer contribution is USD 0.50 for each USD 1.00 of the employee contribution up to a maximum employee contribution of USD 2,000 (i.e. the maximum employer contribution is USD 1,000). The employees have entitlement to the full employer contribution only after completing their third year of employment. Prior to this, they do not have any claim to employer contributions.

In the financial year 2005, the expenses to the group from the profit participation plan came to TUSD 0 (2005 TUSD 0) and for the 401 (k) plan TUSD 389 (2005 TUSD 148).

Moreover, in the reporting year employee contributions were paid to the statutory pension scheme in the amount of TEUR 1,737 (2005: TEUR 1,633).

(25) Other non-current provisions

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

TEUR	As of Jan 01, 2006	Utilization	Reversal	Additions	As of Dec 31, 2006
Pre-retirement arrangements	455	-86	0	217	586

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

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

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

(26) Financial debt

The maturity structure of financial debt as at 31 December 2006 and the prior year balance sheet date is as follows:

December 31, 2006				
TEUR	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

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

Bank liabilities

Of the bank liabilities, TEUR 1,276 (2005: TEUR 3,611) relate to the utilisation of credit facilities and TEUR 3,613 (2005: TEUR 10,653) to long-term loans.

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

TEUR	2006	2005
Credit line	16,638	5,158
Utilisation	1,276	3,611
Open credit line	15,362	1,547

The rise in the credit line in the reporting year is due to a domestic credit line of TEUR 12,000 that was provided by a banking consortium. 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 utilised.

The average interest rate for the utilisation of the credit facilities was 4.55% (2005: 3.83%).

The loan of TEUR 2,500 that was available at the prior year balance sheet date from IBM Deutschland Kreditbank GmbH under a loan agreement was repaid in full during the reporting year. The loan amount was to finance the development of a production machine under a joint development agreement with the IBM Corporation, USA. A variable interest rate was agreed of one-month Euribors plus a risk premium. The effective interest rate in the reporting year was 7.79% p.a. (2005: 7.75% p.a.).

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

Entity	2006	2005	Interest rate	Maturity
SUSS MicroTec Test Systems GmbH	953	2,542	3.25%	30.9.2009
SUSS MicroTec Lithography GmbH	814	2,556	3.75%	30.9.2009
SUSS MicroTec Lithography GmbH	0	441	3.75%	30.12.2008
Image Technology Inc.	107	474	9.81%	11.4.2007
Image Technology Inc.	25	134	8.75%	11.4.2007
Image Technology Inc.	82	436	8.75%	11.4.2007
Image Technology Inc.	332	0	9.27%	26.3.2011
SUSS MicroTec AG	0	2,516	variable	30.6.2006
SUSS MicroTec S.A.S.	437	487	4.21%	11.3.2014
SUSS MicroTec S.A.S.	48	112	4.11%	20.7.2007
SUSS MicroTec S.A.S.	399	454	4.29%	11.3.2014
SUSS MicroTec S.A.S.	399	454	4.42%	11.3.2014
Other loans < EUR 1 million	17	47		
Total	3,613	10,653		
...thereof due current	-1,584	5,503		
...thereof due non-current	2,029	5,150		
... due in 2007	1,584			
2008	927			
2009	247			
2010	258			
2011	196			
...later	401			
	3,613			

* All figures in TEUR

Liabilities from bonds

Following the repayment on 30 April 2006 in the amount of TEUR 3,622, the outstanding amount of the convertible debt issued in November 2003 was TEUR 335 as of the balance sheet date and relates in full to the warrant-linked bond.

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

The interest on the repaid convertible bond in the reporting year was also 6% p.a.

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

Liabilities from finance leases

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

TEUR	Finance lease	Operating lease	thereof operating lease with related parties
Depreciation/Expenses 2006	206	2,533	1,663
Depreciation/Expenses 2005	470	2,640	1,630
...due in 2007	269	2,424	1,815
2008	241	2,158	1,768
2009	97	720	638
2010	1	347	339
2011	0	343	339
...later	0	339	339
Total	608	6,331	5,238
thereof interest	39		
Liability	569		
... due short-term	256		
... due long-term	313		

(27) Other non-current liabilities

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

TEUR	2006	2005
Loans from employees	46	96
Others	149	149
Total	195	245

(28) Other current provisions

The other current provisions are made up as follows:

TEUR	2006	2005
Warranty provisions	1,694	1,350
Severance payments	456	435
Miscellaneous provisions	2,880	2,183
Total	5,030	3,968

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

The other current provisions have developed as follows:

TEUR	As of Jan 01, 2006	Utilisation	Reversal	Additions	As of Dec. 31, 2006
Warranty provisions	1,350	-1,247	-103	1,694	1,694
Severance payments	435	-328	-84	433	456
Miscellaneous provisions	2,183	-521	-230	1,448	2,880
Total	3,968	-2,096	-417	3,575	5,030

(29) Other current liabilities and tax liabilities

Other current liabilities break down as follows:

TEUR	2006	2005
Prepayments received	20,981	25,009
Accrued personnel expenses	5,563	5,730
Bonuses and commissions	1,447	1,220
Third-party services	1,195	2,572
Turnover tax	427	206
Deferred income	275	604
Compensation of Supervisory Board	164	55
Currency forwards	16	536
Deferred subsidies	0	127
Miscellaneous	363	42
Total	30,431	36,101

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

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

The tax liabilities are made up of domestic income taxes of TEUR 1,226 (2005: TEUR 60) and foreign income taxes of TEUR 112 (2005: TEUR 334).

Other Disclosures

(30) Financial instruments

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

Original financial instruments

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

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

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

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.

Financial 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 to market rates.

Convertible bond: In order to determine the market value of the financial liabilities existing on the basis of the convertible bond, the existing yield is compared with a reference interest rate that a financial institution would use. Here consideration is given in particular to the subordination and the fact that the convertible bond is not secured. 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 market values of the original financial instruments are shown in the following overview:

TEUR	2006		2005	
	Book value	Market value	Book value	Market value
Bank liabilities	4,889	3,593	14,264	13,911
Liabilities from bonds	335	412	3,830	4,116
Liabilities from finance lease	569	560	695	688

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

Derivative financial instruments

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

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

As at 31 December 2006 and 2005 the following forward exchange transactions were outstanding:

	2006		2005	
	Nominal volume	Market value in TEUR	Nominal volume	Markt value in TEUR
Sale of USD (in T USD)	13,200	260	13,730	-534
...up to one year	13,200	260	13,730	-534
Sale of Yen (in Mio JPY)	364.0	94	272.3	90
...up to one year	364.0	94	272.3	90
Purchase of USD (in T USD)	500	0	2,000	15
...up to one year	500	0	2,000	15

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

(31) Related parties

Under IAS 24, disclosure is required of persons that control or are controlled by SUSS MicroTec AG unless already included in the consolidated financial statements.

Control exists if a shareholder has more than half of the voting shares of SUSS MicroTec AG or has the possibility, on the strength of the articles of incorporation or contractual agreement, to control the financial and business policies of SUSS MicroTec AG.

Furthermore, the obligation of disclosure set out in IAS 24 also covers transactions with joint ventures and transactions with persons that exercise a substantial influence on the financial and business policies of SUSS MicroTec AG, including close family members or intermediate entities. A substantial influence on the financial and business policy of the group may rest on a shareholding in SUSS MicroTec AG of 20% or more, a seat on the Management Board or Supervisory Board of SUSS MicroTec AG or another key position in management.

In the financial year 2006 the group is affected by the disclosure requirements set out in IAS 24 with respect to business relations with members of the Supervisory Board of SUSS MicroTec AG and their close family members.

SUSS Grundstücksverwaltungsgesellschaft GbR and Hungar Mountains

Various group companies (SUSS MicroTec Lithography GmbH, SUSS MicroTec Test Systems GmbH, SUSS MicroTec Inc.) rent their premises from SUSS Grundstücksverwaltungs GbR or Grundstücksgesellschaft Hungar Mountains, USA. The resulting rental expenditure and the future minimum lease installments arising from the contracts are shown in paragraph (26).

TEUR	2006	2005
Rental expenses	1,663	1,630

The Süss family

The following table presents the main relationships between the company and the Süss family. The pension claims are shown in paragraph (24).

TEUR	2006	2005
Salaries, Pensions	404	330

CMS Hasche Sigle

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

TEUR	2006	2005
Legal fees	23	74

With regard to the remuneration of the Supervisory Board and the Management Board, we refer to paragraph (35).

(32) Financial obligations and contingent liabilities

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

TEUR	2006	2005
Purchase contingencies	17,705	13,465
Obligations from rental contracts	5,619	7,277
Miscellaneous	59	160
Total	23,383	20,902

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

Of the obligations from rental contracts, TEUR 5,238 (2005: TEUR 5,515) are obligations to related companies or persons.

In May 2004, in connection with the contribution of shares to SUSS MicroTec AG in the financial year 2000, it was pointed out to the company by the legal representative of the contributing party that the company had not complied with an agreement allegedly made in connection with the contribution contract regarding the tax treatment of the contribution. At present it is not clear whether this matter will lead to litigation. On the basis of the legal advice it has received, the Management Board considers the prospects of success of any lawsuit brought by the opposing side to be rather slight and has therefore not set up any provision for possible litigation.

(33) 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 payment 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, part of the liquid funds, TEUR 200 (2005: TEUR 1,907) as at the balance sheet date, served as collateral for financial 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 annual result.

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 effective income and expenses in the amount of TEUR 2,400 (2005: TEUR -1,835) comprise mainly currency effects from foreign currency loans that were extended to SUSS MicroTec AG. The change in comparison with the prior year is due to the much weaker dollar as of the balance sheet date.

(34) Segment reporting

Information about the segments

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

The activities of the SUSS group are divided into the segments lithography, substrate bonder, device bonder and test systems. The segment Other combines further activities of the group and the non-allocable costs of the group functions.

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

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

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

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

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

Other explanations on segment reporting

The segment data were determined using the accounting and measurement methods applied in the consolidated financial statements. Due to the segmenting of the group by product line, independently of entities, there are no material inter-segmentary transactions. An exception is the charging-on of costs by SUSS MicroTec AG, recorded in the segment Other, to the other segments for the performance of certain group functions such as financing and strategy matters. In the financial year 2006, SUSS MicroTec AG charged on TEUR 2,732 (2005: TEUR 2,814) to the lithography segment, TEUR 806 (2005: TEUR 685) to the segment substrate bonder, TEUR 333 (2005: TEUR 377) to the segment device bonder, and TEUR 1,194 (2005: TEUR 1,272) to the segment test systems.

The earnings figure shown is the relevant contribution of the segment to earnings. The segment earnings correspond to the earnings before accounting for income and expenses from currency translation and from disposals of 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 schemes, and the release of provisions.

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

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

The investments are additions of intangible assets and property, plant & equipment.

No impairment was recorded in the reporting year. The impairment recorded in the prior year comprised impairment on goodwill of TEUR 1,839. It related in full to the segment device bonder.

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.

(35) Management Board and Supervisory Board

Management Board of the ultimate parent company

The members of the Management Board of SUSS MicroTec AG in 2006 were:

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

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

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

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

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

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

The total cash remuneration of the management in the reporting year was TEUR 1,161. In addition to their fixed salary (including the allowances for social security insurance and the monetary value of the private use of the company car), Dr. Schneidewind and Mr Schulak were paid totals of TEUR 82 and TEUR 65 from the provision formed as at the prior year balance sheet date for the variable remuneration.

Mr Schulak will resign his office as a member of the company's management on 31 March 2007. A redundancy payment of a total of TEUR 483 was agreed with Mr. Schulak in connection with his departure. Of this amount, half was disbursed in the year under review. A provision has been set up as at the balance sheet date for the other half, which will be due for disbursement on his departure.

The company also assumed costs of TEUR 12 for the additional expense incurred by Dr. Schneidewind running of two homes.

In the reporting year a provision of TEUR 158 was formed for the annual bonus 2006 of Dr. Schneidewind and Mr Schulak.

In addition, 40,000 subscription rights each for company shares were issued in 2006 to Dr. Schneidewind and Mr Schulak. The market value per option on issue was EUR 2.9513. Under the agreement of termination of contract made in December 2006, Mr Schulak waived with immediate effect the options received in the reporting and in the prior year.

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

TEUR	2006		2005	
	Dr. Stefan Schneidewind	Stephan Schulak	Dr. Stefan Schneidewind	Stephan Schulak
Compensation				
Fixed	285	717	288	234
Variable	92	67	83	67
Total	377	784	371	301
Stock options				
Number of stock options	40,000	0	40,000	0
Exercise price	7.53	n/a	4.95	n/a

Moreover, on account of the options granted to board members in 2004, 2005 and 2006, TEUR 85 was recognised as personnel expense in SUSS MicroTec AG.

There is a pension provision of TEUR 5 (2005: TEUR 6) for one former member of the Management Board of the company.

Supervisory Board

The members of the Supervisory Board in the financial year 2006 were:

Dr. Winfried Süß, Munich, chairman of the Supervisory Board

Thomas Schlytter-Henrichsen, Kronberg/Taunus, managing director, deputy chairman of the Supervisory Board (until 20 June 2006)

Gerhard Rauter, Dresden, managing director, deputy chairman of the Supervisory Board (from 20 June 2006)

Dr. h. c. Horst Görtz, Neu-Anspach, businessman

Peter Heinz, Waterbury, Vermont, USA, businessman

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

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

Further appointments: IZET, Itzehoe (member of the advisory council)

Sensor Dynamics, Graz, Austria (member of the Supervisory Board)

Dr. Christoph Schücking, Frankfurt a. M., lawyer and notary public

Further appointments: Bankhaus B. Metzler seel. Sohn & Co. KGaA, Frankfurt a. M. (deputy chairman of the partners' council)

Kennametal GmbH, Fürth i. B. (member of the Supervisory Board)

Kennametal Holding GmbH, Fürth i. B. (member of the Supervisory Board)

Kennametal Hertel Europe Holding GmbH, Fürth i. B. (member of the Supervisory Board)

Freudenberg & Co., Weinheim/Bergstrasse (member of the partners' council)

Each member of the Supervisory Board receives, apart from the reimbursement of expenses incurred in exercising his office, a fixed remuneration of EUR 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 EUR 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.

In detail, the Supervisory Board remuneration for the past financial year is composed as follows:

2006 (all amounts in EUR)	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 Jun 20, 2006	11,250.00	3,000.00	3,109.32	17,359.32
Gerhard Rauter	since Jun 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

In the prior year, in the light of the economic situation of SUSS MicroTec AG and the increase in remuneration resolved at the shareholders meeting in 2002, the members of the Supervisory Board waived their attendance fees. The chairman of the Supervisory Board, Dr. Süß, waived his remuneration in full, so that the remuneration situation was as follows:

2005 (all amounts in EUR)	Membership in 2006	Fixed remuneration	Attendance fee	Out of pocket expenses and VAT	Total
Dr. Winfried Süß	all year	--	--	1,052.37	1,052.37
Thomas Schlytter-Henrichsen	all year	11,504.06	--	1,915.88	13,419.94
Dr. h.c. Horst Görtz	all year	7,669.37	--	2,680.43	10,349.80
Peter Heinz	since Jun 21, 2005	3,834.69	--	7,804.89	11,639.58
Prof. Dr. Anton Heuberger	all year	7,669.37	--	3,541.05	11,210.42
Dr. Christoph Schücking	all year	7,669.37	--	1,744.78	9,414.15
Dr. Thomas Sesselmann	up to Jun 21, 2005	3,834.69	--	-64.45	3,770.24

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 TEUR 2,126 (2005: TEUR 2,243).

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

	2006		2005	
	Shares	Options	Shares	Options
Dr. Stefan Schneidewind	13,278	80,000	6,571	69,648
Stephan Schulak	25,000	0	13,000	80,286
Dr. Winfried Süß	1,131,000	0	1,131,000	0
Thomas Schlytter-Henrichsen (until June 20, 2006)	--	--	6,909	0
Gerhard Rauter (since June 20, 2006)	0	0	--	--
Dr. h.c. Horst Görtz	17,216	0	3,894	0
Peter Heinz	1,338	0	1,338	0
Dr. Christoph Schücking	500	0	500	0
Prof. Dr. Anton Heuberger	0	0	0	0

(36) Employees

In the reporting year, an average of 724 employees (2005: 684 employees) were employed in the SUSS group.

Status at the end of the year:

	2006	2005
Administration	99	92
Sales and Marketing	278	250
Operations	383	332
Total	760	674

In the companies measured at equity, an average of 0 employees (2005: 0 employees) were employed.

(37) Auditor's fees

The expense recorded in the financial year 2006 for fees for the auditor of the consolidated financial statements, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, pursuant to § 314 (1) Nr. 9 HGB, is TEUR 329 (2005: TEUR 456) and is composed as follows:

TEUR	2006	2005
Year-end audits	243	359
Tax advisory services	86	52
Miscellaneous	0	45
Total	329	456

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.

(38) Corporate Governance

The Management Board and Supervisory Board of SUSS MicroTec AG have issued the declaration, prescribed by § 161 AktG, on observance of the German Corporate Governance code (version of 12 June 2006) in December 2006 and made it permanently available under www.suss.com.

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

In the reporting year, no notifications were made to SUSS MicroTec AG pursuant to § 21 Abs. 1 WpHG in conjunction with § 32 Abs. 2 InvG.

On 5 March 2007 Global Opportunities Capital Asset Management N.V., Amsterdam, Netherlands notified the company that the share of voting rights of Global Opportunities Capital Asset Management N.V., Amsterdam, in SUSS MicroTec AG had passed the threshold of 3% and stands of 3.91%.

On March 5, 2007 Bankhaus Sal. Oppenheim jr. & Cie. KGaA, Cologne, likewise advised the Company that the voting right share of Bankhaus Sal. Oppenheim jr. & Cie. KGaA in SUSS MicroTec AG fell below the threshold of 5% on February 27, 2007 and now stands at 4.3%.

(40) Approval of the financial statements

The Management Board of SUSS MicroTec AG released the IFRS consolidated financial statements for passing on to 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, 16 March 2007

The Management Board

Dr. Stefan Schneidewind

Stephan Schulak

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, 2006. 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 19, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
Accountant

Querfurth
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 2007

March, 30	Annual Report 2006
May, 03	Quarterly Report 2007
May, 04	DVFA-Analystsconference, Frankfurt am Main, Germany
July, 06	General Assembly
August 07	Semiannual Report 2007
November, 06	Ninemonth Report 2007

Imprint

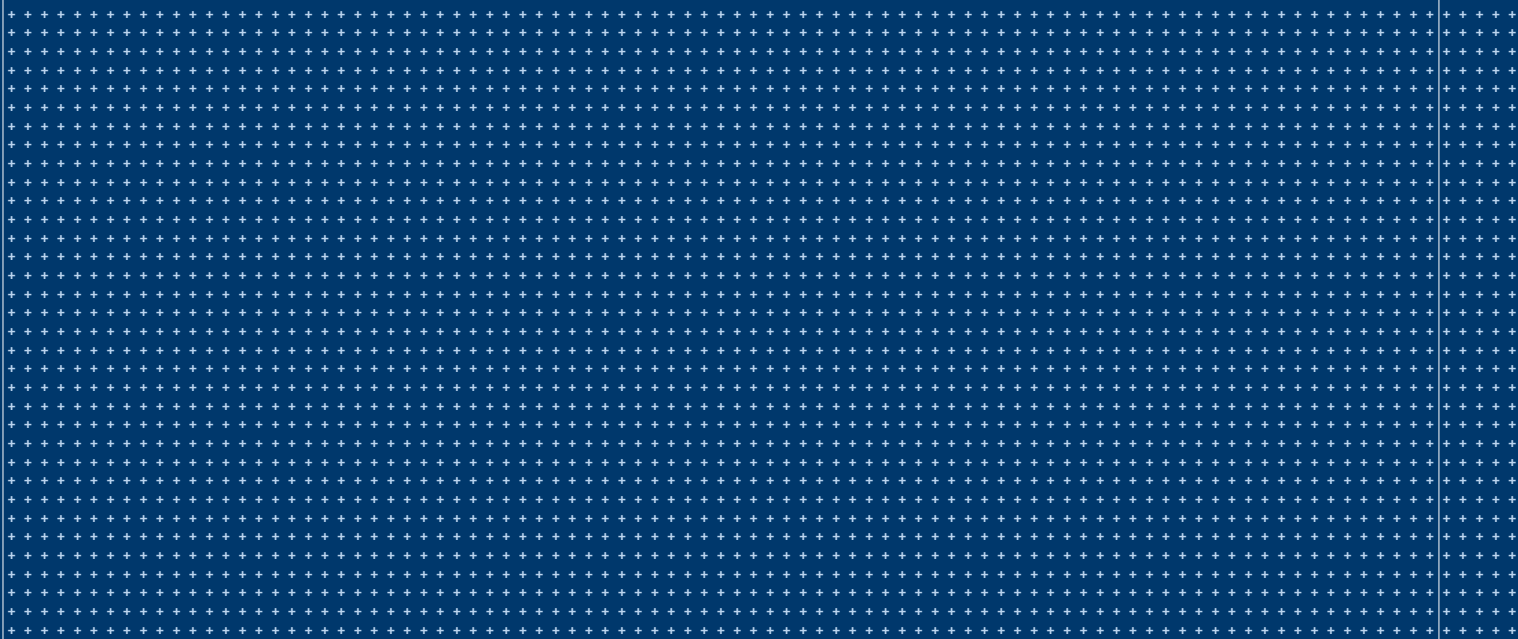
Published by: SUSS MicroTec AG
Edited by: Investor Relations, Group Accounting & Financial Reporting
Auditor: KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft,
Wirtschaftsprüfungsgesellschaft
Konzept und Gestaltung: IR-One AG & Co., Hamburg
Druck: Hartung Druck + Medien GmbH, Hamburg
Translation: EnglishBusiness GbR, Hamburg

Contact

SUSS MicroTec AG
Schleißheimer Straße 90
85748 Garching, Germany
Phone: +49 (0)89-32007-0
e-mail: info@suss.de

Investor Relations
Phone: +49 (0)89-32007-454
e-mail: ir@suss.de

Forward-looking statements: These reports contain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and should be understood as such. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution readers that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.



SUSS MicroTec AG
Schleißheimer Straße 90
85748 Garching, Germany
Phone: +49 (0)89-32007-0
e-mail: info@suss.de

www.suss.com