

Ninemonth Report

01 January – 30 September 2005



Focussed on the Essentials

KEY FIGURES

in EUR millions	Q3/05	Q3/04	Change in %	9m/05	9m/04	Change in %
Order income, net	31.2	32.4	-4%	81.2	89.0*	-9%
Order Backlog as of 09/30/2005	–	–	–	49.6	45.1*	10%
Sales, net	23.7	31.7	-25%	72.1	77.5	-7%
Gross Earnings	10.2	15.0	-32%	28.4	31.1	-9%
Gross Margin	42.9%	47.3%	–	39.4%	40.2%	–
EBITDA	-0.4	4.1	–	-2.9	-1.3	–
EBITDA Margin	-1.6%	13.0%	–	-4.0%	-1.7%	–
EBIT	-2.8	2.8	–	-8.0	-5.3	–
EBIT Margin	-11.9%	8.9%	–	-11.1%	-6.8%	–
EAT	-3.6	1.4	–	-10.1	-6.2	–
Equity Ratio	–	–	–	62.5%	64.3%	–
Net Cash	–	–	–	27.0	15.7	72%
Free Cash Flow	3.1	-4.0	–	0.3	-5.0	–
Earnings per Share	-0.23	0.09	–	-0.66	-0.41	–
Employees	–	–	–	662	747	-11%

*revised



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LEFT: DR. STEFAN SCHNEIDEWIND
RIGHT: STEPHAN SCHULAK

FOREWORD BY THE MANAGEMENT BOARD

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

In the third quarter just ended sales turned out relatively low. The reasons for this were postponements of deliveries by customers and internal delays, particularly with new products.

Despite the ongoing cost-cutting measures, the innovation rate remains high. Continuously new SUSS MicroTec-products are brought to market. In the Mask Aligners segment, the so-called “compact series”, which is distinguished particularly by its small footprint and an adjustment accuracy of 0.5 microns, was launched successfully. The new Spray Coaters also showed a positive trend. With product launches such as these there may naturally be delays in delivery and final acceptance – and therefore ultimately in sales recognition.

The highlight in the third quarter was surely the order from IBM for the first C4NP production line. This important milestone was reached earlier than expected, and we are confident that in the future, C4NP can be placed successfully as a third product on the Advanced Packaging market alongside the production Mask Aligners and Coaters.

Sales amounted to EUR 23.7 million in the third quarter, well below the previous year’s level of EUR 31.7 million. In the first nine months, the sales generated were also below their previous year’s level at EUR 72.1 million (2004: EUR 77.5 million). Order entries in the third quarter, at EUR 31.2 million, were slightly below their previous year’s level of EUR 32.4 million. The accumulated total for the first nine months of 2005 was EUR 81.2 million, compared with EUR 89.0 million in the previous year.

The postponement of sales had a corresponding impact on the quarterly EBIT figure of EUR -2.8 million. This figure also includes a non-cash effective goodwill impairment amounting to EUR 1.2 million and can be attributed solely to the continuing critical trend in the Device Bonders product line – a valuation allowance was made for the entire attributed



goodwill in the regular impairment test. At 42.9%, the gross profit margin was well above 40% in the third quarter despite the lack of economies of scale due to the low sales. A fact that can also be attributed to the positive restructuring effects from the closure of the Aßlar plant that are now becoming visible.

Liquidity, which was favored particularly by the trend in inventories and accounts receivable, developed most positively: a free cash flow of EUR 3.1 million was generated in the third quarter. This, together with the highly successful capital increase with rights offer that was carried through, led to an inflow of liquidity amounting to EUR 10.5 million in the third quarter.

As for the full year results 2005, the crucial factors are not only the trend in business, but also the change in our accounting principles. Our financial statements for 2005 will be the first to be prepared in accordance with the IFRS standard. At this juncture we would like to refer to the two most important changes compared with our current US-GAAP accounting methods. These will lead to significant changes in the balance sheet and the income statement. Please see the chart in this regard on page 6 and 7.

The forecast for the financial year 2005 as a whole based on IFRS includes a delivery volume that is largely unchanged in relation to the forecast from August this year. However, the high delivery volume at the end of the year - which has again increased due to the postponements from the third quarter - means that a significant number of outstanding final customer acceptance can be expected as of 12/31/2005. The forecasting certainty of IFRS is considerably lower than that of US GAAP where sales are concerned. This is because in the future we will be recognizing sales not as of the delivery date, which can be planned internally, but as of the acceptance date, which is co-determined by the customer.

For that reason, we are assuming that sales in 2005 according to IFRS will be around EUR 103 million. There may be deviations from this figure, depending on the number of customers' final acceptances that are





completed by the end of the year. With sales at this level, we expect EBIT to come to approx. EUR -7 million, including the valuation allowance for the goodwill for Device Bonders (EUR 1.2 million) that will remain unchanged under IFRS. Further negative effects from special items cannot be ruled out due to a strategic decision concerning further deduction of the break-even point, still to be made in the current year.

If we were to continue to use US GAAP accounting principles, net sales would amount to some EUR 112 million and the EBIT, before special items like goodwill impairment, would be at around EUR -2 to -3 million, and therefore within the given forecast.

In the current, fourth quarter we are optimistic about the trend in our order entries. In addition to orders that we have already won in the Wafer Bonders segment, we currently also see sizeable potential for Mask

		US-GAAP (reported up to 09/30/2005)
Revenue recognition	Delivery of the machine	Revenue recognition of the sale price allocated to the machine (usually 90%) together with the cost of sales.
	Final acceptance by the customer	Revenue recognition of the sale price allocated to the installation (usually 10%), which is not due until after the final acceptance.
Own development work		Full reporting as costs in the income statement.



Aligners and Spin Coaters in the fields of Microsystems Technology (MEMS) and Advanced Packaging.

Ladies and gentlemen, on the following pages you will find not only the quarterly report, but also the latest information about the current status of our C4NP project as well as another product innovation that can be used on the highly promising LED market. As usual, we will inform you about interesting developments during the quarter.

Garching, November 2005

Dr. Stefan Schneidewind
Chief Executive Officer

Stephan Schulak
Chief Financial Officer

IFRS (from FY 2005 report on)	Impact on balance sheet and earnings according to IFRS:
<p>No revenue recognition. Machine is transferred in the balance sheet and remains fully in the inventory.</p>	<p>No impact on results from the delivery of the machine, but substantial change in the balance sheet:</p> <ul style="list-style-type: none"> • In the case of a 90% payment, this is accrued as an advance payment. • The machine remains fully within the inventory until the final acceptance.
<p>100% revenue recognition together with the cost of sales.</p>	<p>No full impact on earnings until the final acceptance (recognition of total sales and cost of sales)</p> <ul style="list-style-type: none"> • Most of the original receivable is set off against the advance payment immediately
<p>Capitalization obligation when certain criteria are fulfilled.</p>	<ul style="list-style-type: none"> • New intangible assets arise that are written off usually within five years • this leads to lower current R&D costs • countered by higher amortizations that flow into the income statement



FIRST ORDER FOR C4NP EQUIPMENT

As early as the start of September, SUSS MicroTec received the first order for a C4NP production toolset from IBM. This first commercial order was placed far earlier than expected, a fact that can be attributed to the successful test series on the C4NP Beta Tool at the SUSS MicroTec subsidiary in Waterbury, USA. This first production facility is scheduled for delivery at the end of the first quarter of 2006.

C4NP is a new process that IBM has developed for manufacturing solder bumps for wafer bumping. Wafer bumping is the process stage in chip production at which the solder bumps are applied directly to the whole wafer in a single step. C4NP is a comparatively simple and above all cost-effective alternative to the expensive and complicated galvanic procedures that have been used until now. In addition, C4NP makes it possible to produce lead-free chip connections as demanded by, in particular, European and Asian electronics manufacturers. IBM invented the C4NP technology and, in September 2004, entrusted SUSS MicroTec with the task of developing the equipment for this new procedure.



NEW PRODUCTS FOR THE GROWING LED MARKET

According to a study by Frost & Sullivan, the market for high-brightness LEDs is growing at an average rate of 28.8%. High-brightness LEDs are increasingly being used in place of traditional lighting methods because they are smaller, consume less energy, have a longer lifespan and give off less heat. The attributes of these “bundles of energy” are therefore very significant as well as being environmentally friendly. The current areas of deployment for them include the rear lights of top-of-the-range motor vehicles (e.g. VW Phaeton, BMW), the external lights of buildings and bridges, and the lighting of large-scale events such as rock concerts.

If consumer articles of this kind are really going to assert themselves on the market, though, they will have to be favorably priced. That is why the LED manufacturers are demanding that the equipment producers provide them with solutions that permit a reduction in production costs accompanied by a faster time-to-market.

In the third quarter, SUSS MicroTec presented one product for the production and another for the testing of LEDs: a very fast testing system that can make contact with eight devices per second. This speed is important in so far as tens of thousands of LEDs can be present even on small four-inch wafers and any shortening of the testing time for individual LEDs can reduce the overall testing time for a charge of wafers by several days. No other Prober on the market can test the functional capacity of the LEDs on a wafer so quickly and at the same time so precisely and reliably.

Just in time for the European Conference on Optical Communication (ECOC), which was held in Glasgow in September, SUSS MicroTec presented its new LED Bonder. This tool can connect up to eight wafer pairs with one another at the same time – making it eight times as fast as rival products.



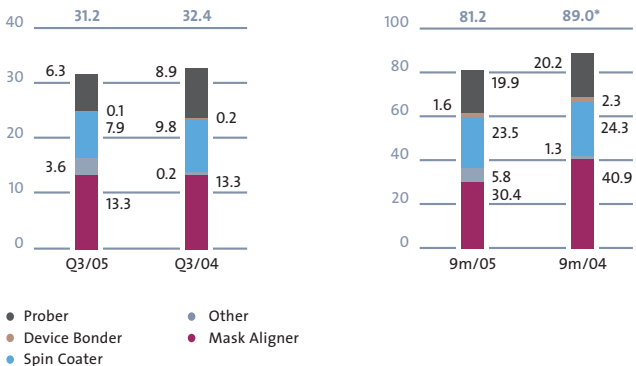


ORDER ENTRIES AND SALES BY REGION/PRODUCT LINE

In the first nine months, Probers (+22%) and Spin Coaters (+17) continued to post impressive sales growth, while the Mask Aligner segment (-33%) lagged far behind its strong showing in the previous year. The level that was attained in 2004, with substantial capacity acquisition by the packaging service providers, has so far been unattainable in 2005. This trend is also reflected in the development of sales in Asia (-29%).

In the third quarter, the order entries figures revealed a recovery in demand for Mask Aligners in the Advanced Packaging segment, for in this quarter the previous year's level was again reached in this product line. This also led to an improvement in order entries in Asia, although we remained well below the previous year's level in the nine-month comparison.

ORDER ENTRIES BY PRODUCT LINE in EUR ^(m)



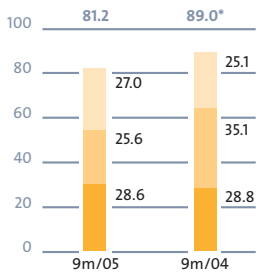
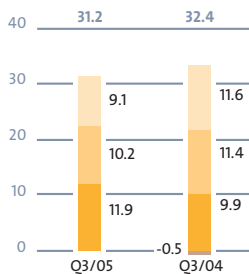
*revised



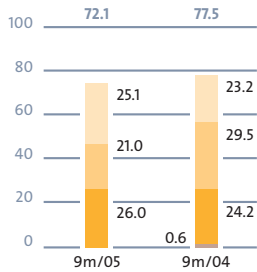
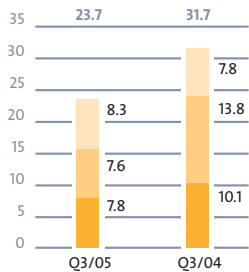
SALES BY PRODUCT LINE in EUR ^(m)



ORDER ENTRIES BY REGION in EUR ^(m)



SALES BY REGION in EUR ^(m)



*revised

- Europe
- USA
- Asia
- Rest of the world



FINANCIAL REPORT

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

TEUR	07/01/05 – 09/30/05*
Sales	24,370
Freight and Commissions	-720
Net sales	23,650
Cost of goods sold	-13,500
Gross profit	10,150
Administration and selling costs	-10,009
Research and development costs	-2,060
Amortisation of goodwill	-1,166
Other operating expenses and income	466
Foreign currency exchange gains and losses	-182
Net income from operations	-2,801
Interest expenses	-317
Interest income	72
Minority interest	-6
Income before taxes	-3,052
Income taxes	-518
Net loss	-3,570
Earnings before Interest and Taxes (EBIT)*	-2,807
Earnings before Interest and Taxes, Depreciation and Amortization (EBITDA)*	-372
Per share:	
Basic earnings per share in EUR	-0.23
Diluted earnings per share in EUR	-0.23
Transition to Comprehensive income	
Net loss	-3,570
Other comprehensive income net of tax	
Differences in foreign currency translation	-88
Additional minimum liability	0
Unrealized loss on securities	0
Comprehensive Income	-3,658

* unaudited



	01/01/05 – 09/30/05*	07/01/04 – 09/30/04*	01/01/04 – 09/30/04*	01/01/04 – 12/31/04
	74,023	32,486	79,681	115,972
	-1,924	-826	-2,216	-3,105
	72,099	31,660	77,465	112,867
	-43,721	-16,687	-46,345	-66,963
	28,378	14,973	31,120	45,904
	-30,787	-10,244	-30,361	-44,602
	-6,676	-2,262	-7,380	-10,371
	-1,166	0	0	0
	1,487	560	1,130	1,466
	766	-179	208	-1,217
	-7,998	2,848	-5,283	-8,820
	-1,022	-418	-1,187	-1,520
	398	121	308	383
	15	-25	-13	-11
	-8,607	2,526	-6,175	-9,968
	-1,497	-1,120	-44	-6,722
	-10,104	1,406	-6,219	-16,690
	-7,983	2,823	-5,296	-8,831
	-2,919	4,103	-1,304	-3,224
	-0.66	0.09	-0.41	-1.10
	-0.66	0.09	-0.41	-1.10
	-10,104	1,406	-6,219	-16,690
	111	-126	306	47
	0	0	0	17
	0	0	0	-35
	-9,993	1,280	-5,913	-16,661



CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	09/30/05*	09/30/04*	12/31/04
Cash and cash equivalents	30,509	19,571	22,534
Accounts receivable, net	14,834	24,557	27,093
Other receivables and assets	2,272	3,382	2,742
Inventories, net	45,059	48,671	41,245
Prepaid expenses	987	1,084	1,079
Deferred tax assets current	1,204	2,441	1,555
Total current assets	94,865	99,706	96,248
Tangible assets	8,318	9,914	9,023
Intangible assets	4,083	5,958	5,355
Goodwill	26,843	28,009	28,009
Investments in subsidiaries	33	144	55
Deferred tax assets long-term	1,471	7,931	2,374
Other long-term assets	1,669	1,854	1,853
Total long-term assets	42,417	53,810	46,669
Total assets	137,282	153,516	142,917

* unaudited



LIABILITIES & SHAREHOLDERS' EQUITY IN TEUR	09/30/05*	09/30/04*	12/31/04
Current bank liabilities	3,480	3,890	2,550
Current lease obligations	132	130	137
Accounts payable	3,598	6,848	5,676
Current portion of pension liabilities	196	212	255
Current portion of long-term debt	14,147	2,394	7,982
Other current liabilities	18,826	18,597	19,879
Total current liabilities	40,379	32,071	36,479
Long-term debt	6,425	18,215	13,417
Leasing obligations	710	399	388
Pension liabilities	3,475	3,573	3,385
Deferred tax liabilities long-term	102	0	224
Other long-term liabilities	361	457	430
Minority interest on consolidated subsidiaries	27	45	42
Total long-term liabilities	11,100	22,689	17,886
Common stock			
Common stock EUR 1,00 par value 22,635 thousand shares authorized Sep 30, 2005 and Dec 31, 2004; 16,746 thousands shares issued and outstanding (Sep 30, 2005) respectively 15,157 (Dec 31, 2004)	16,746	15,157	15,157
Additional paid-in capital	89,820	83,621	84,165
Appropriated retained earnings	433	433	433
Retained earnings (current year and brought forward)	-15,710	4,865	-5,606
Cumulative other comprehensive income	-5,486	-5,320	-5,597
Total shareholders' equity	85,803	98,756	88,552
Total liabilities & shareholders' equity	137,282	153,516	142,917

* unaudited



CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	01/01/05 – 09/30/05*	01/01/04 – 09/30/04*	01/01/04 – 12/31/04
Cash Flow from operating activities			
Net loss	-10,104	-6,219	-16,690
Adjustments to net assets (short term) caused by exchange-rate fluctuations	-636	162	757
Adjustments to reconcile net loss to net cash provided by operating activities			
Non-cash stock based compensation	363	300	750
Amortization of intangible assets	1,328	1,378	1,855
Amortization of goodwill	1,166	0	0
Decrease of investments in subsidiaries caused by change in consolidation	0	0	89
Depreciation of tangible assets	2,162	2,491	3,462
Amortization of leased assets	408	123	290
Change of deferred tax assets	1,254	-801	5,642
Change of deferred tax liabilities	-122	0	224
Loss / Gain on disposal of assets	3	0	65
Change of reserves for bad debts	130	-352	-417
Change of reserves on inventory	1	949	763
Changes in assets and liabilities			
Change in accounts receivable	12,129	-599	-3,070
Change in inventories	-3,815	-7,720	-108
Change in prepaid expenses	92	10	15
Change in other assets	676	3,268	3,909
Change in accounts payable	-2,078	876	-296
Change in other liabilities, provisions and deferred income	-1,053	1,668	2,960
Change in pension liabilities	31	-10	-155
Change in other long-term liabilities	-84	-47	-87
Cash Flow from operating activities	1,851	-4,523	-42

* unaudited

TEUR	01/01/05 – 09/30/05*	01/01/04 – 09/30/04*	01/01/04 – 12/31/04
Cash Flow from investing activities			
Payments in tangible assets	-1,586	-537	-1,239
Payments in intangible assets	0	-4	-7
Proceeds from disposal of tangible and financial assets	0	29	32
Cash Flow from investing activities	-1,586	-512	-1,214
Cash Flow from financing activities			
Increase of bank loans	1,250	0	1,250
Repayment of bank loans	-2,077	-2,845	-3,211
Change of current bank liabilities	930	736	-604
Finance-lease payments	317	-102	-106
Proceeds from share capital contribution	6,844	0	0
Proceeds from issuance of common stock	146	0	0
Payments for expenses related to capital increase	-109	0	0
Cash Flow from financing activities	7,301	-2,211	-2,671
Net Change in cash	7,566	-7,246	-3,927
Adjustments to funds caused by exchange-rate fluctuations	409	32	-324
Funds at beginning of the year	22,534	26,785	26,785
Funds at end of the period	30,509	19,571	22,534
Supplemental cash flow information			
Interest paid during the period	951	1,084	1,405
Income taxes refund / paid during the period including prepayments	-209	-1,550	-1,830
Disclosure of other non-cash activities			
Increase of tangible assets under capital lease	490	0	94

* unaudited



CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

TEUR	Number of shares (in thousands)	Common stock	
As of 01 January 2004	14,957	14,957	
Conversion of convertible debt into common stock	200	200	
Proceeds from conversion of convertible debt			
Issuance of subscription rights			
Annual net loss			
Foreign currency adjustment			
As of 30 September 2004	15,157	15,157	
As of 01 January 2005	15,157	15,157	
Proceeds from share capital contribution	1,456	1,456	
Expenses related to share capital contribution, net of tax			
Issuance of shares:			
Exercise of stock options	133	133	
Issuance of subscription rights			
Annual net loss			
Foreign currency adjustment			
As of 30 September 2005	16,746	16,746	

DIRECTORS' DEALINGS AS OF SEPTEMBER 30, 2005

Executive Board	Shares	Options
Dr. Stefan Schneidewind	6,571	66,448
Stephan Schulak	0	120,286
Supervisory Board	Shares	Options
Dr. Winfried Süß	1,131,000	0
Thomas Schlytter-Henrichsen	6,909	0
Dr. h.c. Horst Görtz	3,894	0
Peter Heinz	938	0
Prof. Dr. Anton Heuberger	0	0
Dr. Christoph Schücking	500	0

	Additional paid-in capital	Earnings reserve	Retained Earnings	Accumulated other Comprehensive Income	Total
	81,561	433	11,084	-5,626	102,409
					200
	1,760				1,760
	300				300
			-6,219		-6,219
				306	306
	83,621	433	4,865	-5,320	98,756
	84,165	433	-5,606	-5,597	88,552
	5,388				6,844
	-109				-109
	13				146
	363				363
			-10,104		-10,104
				111	111
	89,820	433	-15,710	-5,486	85,803

CORPORATE CALENDAR

Show	Date	Location
Annual Report 2005	MARCH ²⁸	
Quarterly Report	MAY ⁰³	
General Annual Meeting	JUNE ²⁰	Munich, Germany
Semiannual Report	AUGUST ⁰²	
Ninemonth Report	NOVEMBER ⁰⁷	

Forward-looking statements: The 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 you should not place too much reliance on them. 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 you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.



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