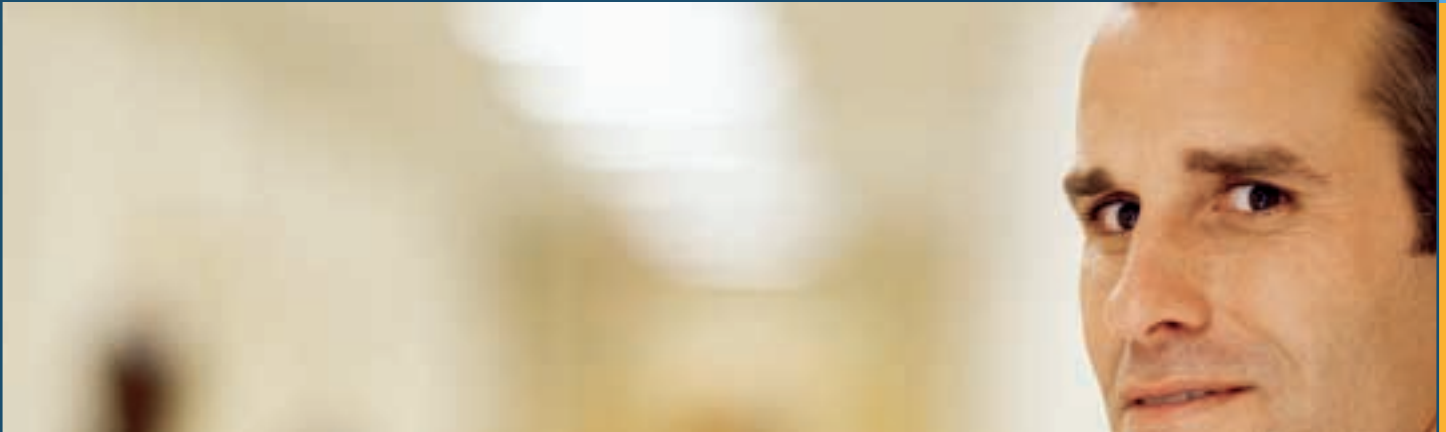


Annual Report 2004



Focused on the Essentials

SUSS MICROTEC AG KEY FIGURES

in m Euro	2004	2003	Change in %
Order Income, net	119.1	101.0	+ 18 %
Order Back Lock	38.7	33.9	+ 14 %
Sales	112.9	92.6	+ 22 %
Gross Earnings	45.9	36.4	+ 26 %
Gross Margin	40.7 %	39.4 %	n. a.
EBITDA	- 3.2	- 11.0	+ 71 %
EBITDA-Margin	- 2.9 %	- 11.9 %	n. a.
EBIT	- 8.8	- 17.1	+ 49 %
EBIT-Margin	- 7.8 %	- 18.5 %	n. a.
Equity Ratio	62.0 %	64.0 %	n. a.
Net Cash	20.0	23.6	- 15 %
Free Cash Flow	- 2.7	4.5	n. a.
Earnings per Share	- 1.10	- 0.97	- 13 %
Employees	731.0	716	+ 2 %

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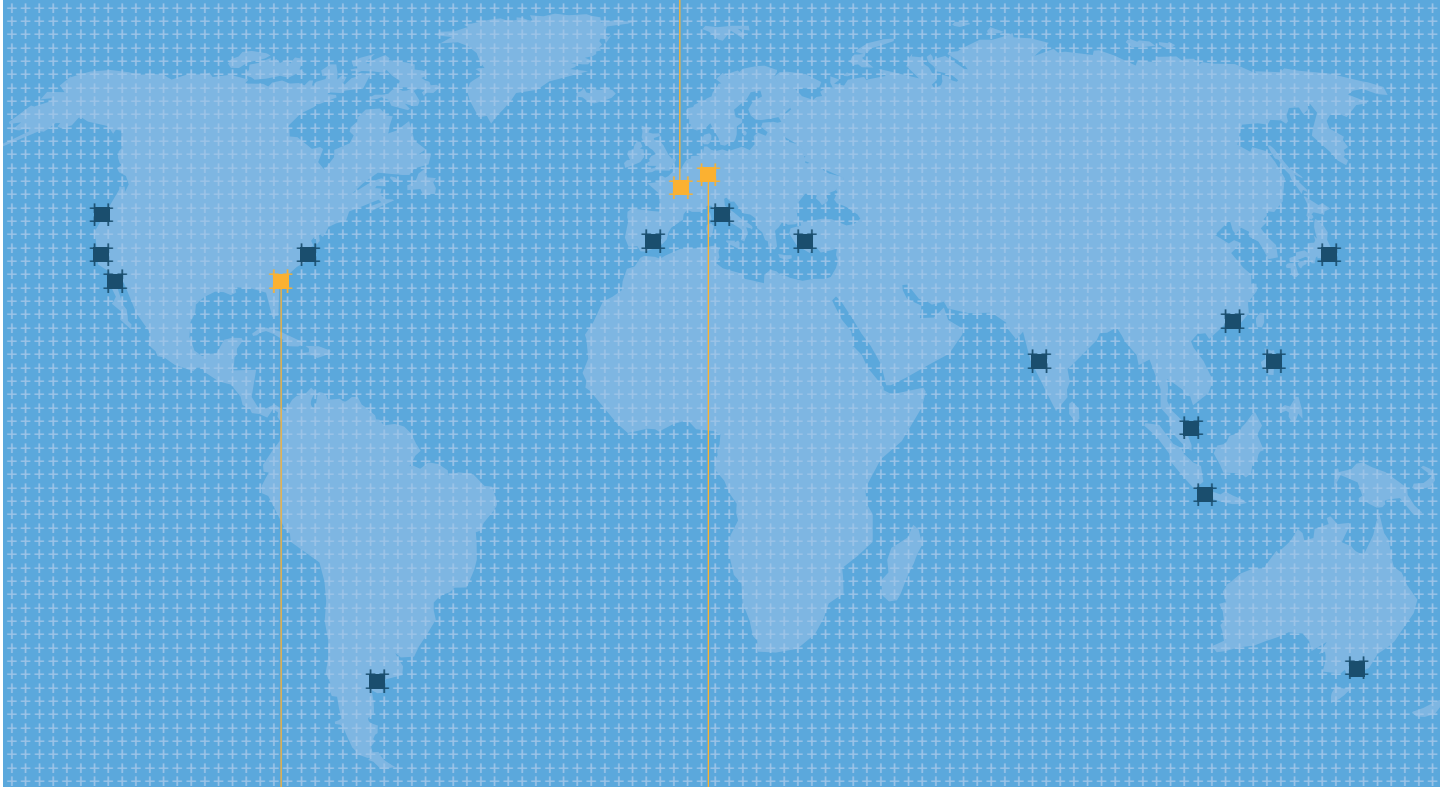
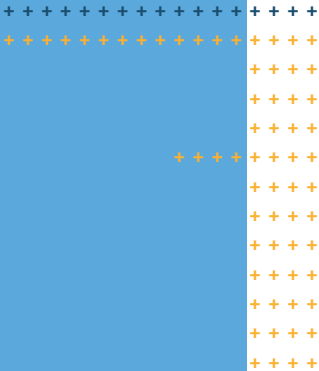
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CORPORATE CALENDAR

Show	Date	Location
SEMICON Europa	12 - 14 April	Munich, Germany
Quarterly Report	03. May	
Transducers 2005	05 - 09 June	Seoul, Korea
General Annual Meeting	21. June	Munich, Germany
SEMICON West	12 - 14 July	San Fransisco, USA
Semiannual Report	02. August	
COMS 2005	21 - 25 August	Baden-Baden, Germany
SEMICON Taiwan	12 -14 August	Taipei, Taiwan
European Microwave Week	03 - 07 October	Paris, France
Ninemonth Report	08. November	
MEMS Seminar	November	Shanghai, China
SEMICON Japan	07 - 09 December	n. A.

WORLDWIDE PRESENCE



St. Jeoire, France + Device Bonder

Waterbury, USA + Substrat Bonder

Munich, Germany + Mask Alligner

Production Sites + Products

Dresden, Germany + Prober

Sales Offices and Representatives
Europe
 Munich, Germany
 Dresden, Germany
 Vaihingen, Germany
 Lincoln, England
 St. Jeoire, France
 Neuchatel, Switzerland

Vaihingen, Germany + Coater

North America
 Waterbury, USA
 Tempe, USA
 Santa Clara, USA

Asia
 Shanghai, China
 Yokohama, Japan
 Hsin-Chu, Taiwan
 Bangkok, Thailand

Rest of World
 New South Wales, Australia
 Sao Paulo, Brasil
 Pretoria, South Africa

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LEFT: DR. STEFAN SCHNEIDEWIND
RIGHT: STEPHAN SCHULAK

FOREWORD BY THE MANAGEMENT BOARD

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

In the last fiscal year, our goal was to strengthen our market position by concentrating on our key areas of competence and to thereby improve our business results substantially compared with the previous year. We accomplished this goal with respect to order entries and sales – our annual result, on the other hand, fell short of what we were aiming to achieve. In this annual report, we would like to present the results to you in detail.

Our sales totaled approximately 113 million euros, representing a healthy increase of 22 percent over the previous year. At the same time, we almost fulfilled our sales forecast for 2004 (115 to 120 million euros). The fact that we fell just short of the defined sales range can essentially be attributed to the unexpectedly sharp drop in the value of the US dollar against the euro in the fourth quarter of 2004. We significantly improved our EBIT. Compared with 2003, we increased our income from operations by 48.4 percent to minus 8.8 million euros. Despite this positive trend, we were unable to fulfill our forecast of an EBIT breakeven at a sales level of between 115 and 120 million euros. EBIT was burdened in particular by non-recurring extraordinary effects such as book losses related to exchange rates on internal US dollar loans, expenses for the restructuring measures that we initiated as well as changes in the management board.

The fact that we are having to report heavy losses for the third successive year shows that further drastic cost reduction measures will be necessary if we are to achieve positive results again in 2005.

Order entries, probably the most important indicator in the industry, showed a distinctly positive trend for SUSS MicroTec in 2004, increasing from 101 million euros in 2003 to their current level of 119.1 million euros (plus 17.8 percent). The order backlog totaled 38.7 million euros as per December 31, 2004 (previous year 33.9 million euros). These trends confirm that demand for SUSS MicroTec equipment has been increasing. With regard to the positioning of our products, we made considerable progress in 2004. In addition to our “classic” equipment for the advanced packaging and microsystems technology markets (Mask Aligner, Developer and Spin Coater), our Bonder and Prober product lines also became the focus of attention in 2004. In the test systems segment, for example, we completed a successful market launch for the “Cluster Probe System,” which is used in the production of chips for optoelectronics and microsystems technology (see page 22).

On the advanced packaging and microsystems technology markets, our 200mm and 300mm equipment enjoyed increased demand in 2004 and boosted our growth – also with regard to our position vis-à-vis our competitors. The high levels of demand from the United States and Asia were particularly affirmative.

We reached a milestone of particular importance in September 2004 when a technology agreement was signed between IBM and SUSS MicroTec for the joint development of equipment for IBM's patented C4NP packaging technology. With this technology, microelectronic circuits can be produced more cost-effectively and in a more environmentally friendly way thanks to the lack of lead components. For further information about the technology agreement, please see pages 8 ("Highlights") and 18 ("The Advanced Packaging Market").

The closure of the Aßlar plant and the concentration of Mask Aligner production at the Munich site made a substantial contribution to cutting costs and increasing efficiency. This restructuring will be completed by the end of the second quarter of 2005.

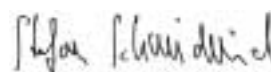
Further cost-cutting measures will be initiated during the current fiscal year. These include improving the offer and order handling processes, optimizing materials management, standardizing IT systems and tightening up the administrative organization.

We are assuming we will outperform the growth of the semiconductor equipment industry in the long term. We base this expectation on planned market launches and the market penetration of new machines for the growth markets advanced packaging, microsystems technology and optoelectronics technology (LED).

In the current fiscal year 2005, we are focusing our activities on the optimization of our cost structure. The results of several cost reduction projects could be seen as early as this year.

Dear shareholders, employees and business partners of SUSS MicroTec AG, we would like to take this opportunity to thank you for the trust that you have placed in us. We look forward to continuing our successful cooperation with you during the current fiscal year.

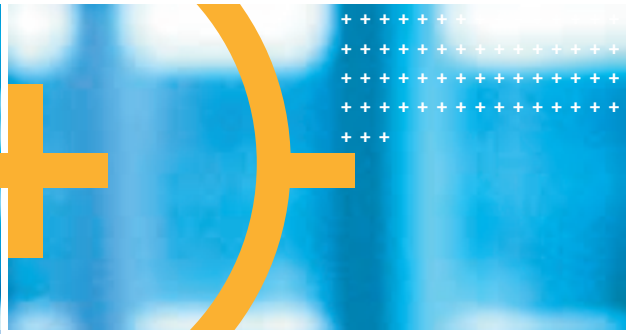
Garching, March 2005



Dr. Stefan Schneidewind
Chief Executive Officer



Stephan Schulak
Chief Financial Officer



DR. WINFRIED SÜSS

REPORT OF THE SUPERVISORY BOARD

DEAR LADIES AND GENTLEMEN,

In the fiscal year 2004, the Supervisory Board kept itself informed by the Management Board about the course of business and the plans of the Company and the SUSS MicroTec-Group in timely and comprehensive fashion in the form of continuous written reports and in five joint meetings. The Supervisory Board also discussed significant management issues with the Management Board. In the course of these activities, the Supervisory Board advised the Management Board and supervised its management activities. In connection with this, the Supervisory Board held detailed discussions with the Management Board about any deviations from plan of the actual course of business and the main reasons for those deviations. The Management Board informed the Supervisory Board about important business transactions, any other circumstances subject to reporting requirements and the steps taken in the area of risk management, as well as commercial risks that had become discernible.

The Supervisory Board appointed Dr. Stefan Schneidewind as a full member of the Management Board effective from September 1, 2004, and as its Chairman effective from December 9, 2004. Dr. Franz Richter, who had been Chairman of the Management Board since July 8, 1998, departed from the Management Board of the Company as of December 9, 2004.

The Personnel Committee of the Supervisory Board, comprising Dr. Süß as Chairman and Mr. Schlytter-Henrichsen and Mr. Görtz as members, dealt with personnel issues relating to the Management Board in three meetings, prepared the decisions of the

Supervisory Board in personnel matters and reported the results of its discussions to the full Supervisory Board.

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

- commissioning the auditor,
- independence of the auditor,
- compensation of the auditor,
- streamlining measures (including the closure of the Aßlar site),
- financing of the SUSS MicroTec-Group.

In these matters, the Audit Committee prepared the decisions of the full Supervisory Board and informed the full Supervisory Board about the results of its deliberations.

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

In a meeting on December 9, 2004, the Supervisory Board again examined the efficiency of its activities.

The annual financial statements of the Company as of December 31, 2004, prepared in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements of the Company as of December 31, 2004, prepared in accordance with the accounting principles generally

recognized in the United States of America, designated as US-GAAP, and the Company and Group management reports for the fiscal year 2004 drawn up by the Management Board were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Munich, the auditors selected by the General Meeting and commissioned by the Supervisory Board, and granted unqualified audit certificates.

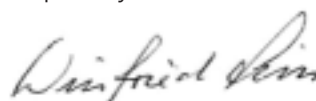
The Supervisory Board examined the annual financial statements of the Company as of December 31, 2004, prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements of the Company as of December 31, 2004, drawn up pursuant to § 292a of the German Commercial Code in accordance with the accounting regulations of US-GAAP, and the Company and Group management reports for the fiscal year 2004. The two certified public accountants who were in charge of the audit also took part in the Supervisory Board's discussions on the submissions specified above. They provided the Supervisory Board with a verbal report on the results of their audit. The Supervisory Board discussed the submissions specified above and the auditor's assessment in detail with the auditor's representatives and the Management Board and gave its approval to the submissions. The Supervisory Board hereby declares that according to the final result of its audit, there can be no objections to the submissions it examined. The Supervisory Board also has no objections to the audit reports submitted by the auditor. The annual financial statements of the Company as of

December 31, 2004, are therefore adopted. The Supervisory Board is in agreement with the management report for the fiscal year 2004.

Notwithstanding the unsatisfactory results in the fiscal year 2004, the Supervisory Board would like to thank the Management Board and the employees of the Company and its affiliated companies for their commitment to the Company and to the SUSS MicroTec-Group, and the works councils and employees of the SUSS MicroTec-Group for their understanding of the unavoidable steps taken to adjust to the changes in demand for the equipment offered by the SUSS MicroTec-Group.

Garching, March 2005

The Supervisory Board



Dr. Winfried Süß
Chairman

INTERVIEW WITH THE MANAGEMENT BOARD

Dr. Stefan Schneidewind, 49, has been the Chief Executive Officer for SUSS MicroTec AG since December 9, 2004. He was born in Dresden, holds a Ph.D. in Engineering and has been with SUSS for 15 years. Dr. Schneidewind started out working in research and development with SUSSMicroTec in Germany and the United States before becoming Business Unit Manager for the Test Systems division at the former Karl Suss America Inc., in Waterbury, Vermont. In 2000 he moved to Dresden to assume the post of Managing Director for SUSS MicroTec Test Systems GmbH.

Mr. Stephan Schulak, 36, completed a commercial apprenticeship, and holds a university degree in business administration. One of his previous positions was with Wacker Chemie GmbH, where he served as Group auditor. At the end of 2000 he joined SUSS MicroTec as head of Group controlling. Mr. Schulak has been the CFO for SUSS MicroTec AG since April 2002.

Dr. Schneidewind, you have successfully headed the Test & Measurement division in Dresden and made a decisive contribution to the very strong global market position of SUSS MicroTec's testing equipment (Prober). In your new position, can you now bring this experience to the "test"?

DR. SCHNEIDEWIND: At SUSS MicroTec the individual divisions are closely linked to each other, with a constant and intensive exchange taking place. The Test & Measurement division has always had a very close link to the other product lines. Prober perform analytical tests on finished products. As such, they ultimately test the operability and efficiency of the equipment that produced the products – this equipment includes SUSS MicroTec's own equipment families, the Mask Aligner, Bonder, Coater and Developer.

This is why I was always closely involved in the development and production processes of our other products in the past. In my new position, I can and surely will benefit from these pronounced synergies within the Company and from my own practical expertise in the relevant areas.

SUSS MicroTec operates in a cyclical market that has presented the Company with major challenges time and again. How does the Company intend to assert itself in this market in the future?

DR. SCHNEIDEWIND: In the past we have shown that we can emerge strengthened even from difficult market situations. The crucial factor is always our technological lead, combined with the high quality, precision, reliability and outstanding economic

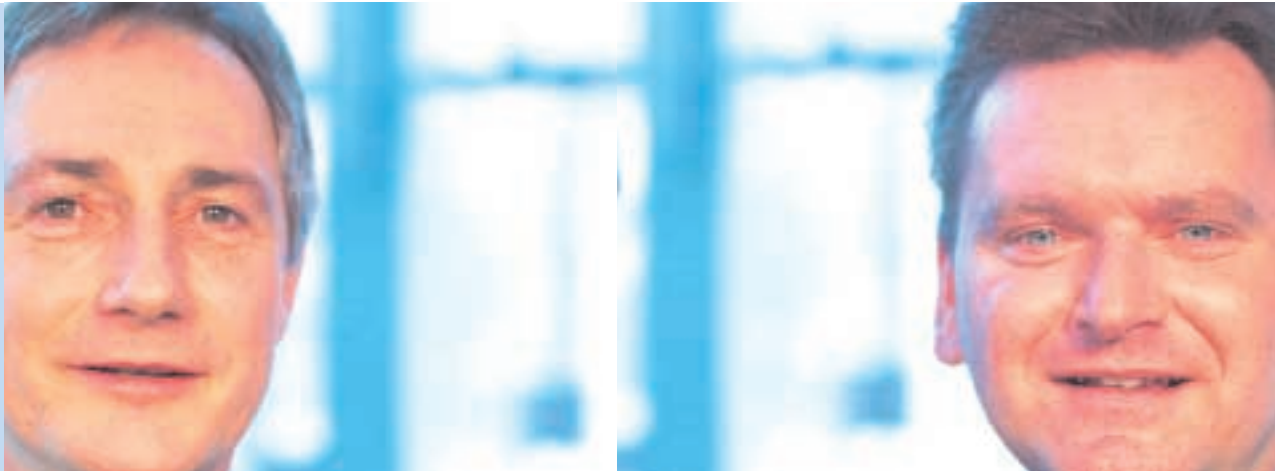
efficiency – cost of ownership – of our products. In this way, we have attained a market position that is respected worldwide and are usually one step ahead of our competitors. We will continue to concentrate on these core areas of competence in the future. In addition to that, of course, there are other significant factors to consider, including a lean, effective corporate structure, excellent customer service and strong partnerships and/or cooperation deals.

To pick up on that last point: the cooperation with IBM in the third quarter of 2004 was an outstanding milestone for SUSS MicroTec. Where will it go from here?

DR. SCHNEIDEWIND: The cooperation with IBM enables us to have an active role in shaping the technological future. For the first time, IBM's C4NP technology is being commercialized, thereby realizing a completely new and environment-friendly solution for wafer bumping. The fact that C4NP is being implemented commercially using SUSS MicroTec equipment is a clear demonstration of our technical competence; we are developing an entire C4NP production line on the basis of our core technologies. This development process is a high priority for us in 2005.

What role are cooperation deals going to play for SUSS MicroTec in the future?

DR. SCHNEIDEWIND: Cooperation deals are highly significant for us – and SUSS MicroTec has been cooperating with important partners since its earliest days. IBM in the 1960s, Intel in the late 1990s and the Fraunhofer Institute are just a few examples. SUSS MicroTec has benefited from these cooperation deals in all sorts of areas. The most recent example is the technology agreement that we concluded with IBM last Sep-



tember for a ground-breaking new technology, C4NP, for which SUSS MicroTec is developing and marketing the equipment (see also page 18). Naturally we carry out precise analyses of where and within what framework cooperation makes sense. The size and prestige of the companies and institutes in question are not the only criteria for our decisions. Other important factors are the technological know-how of the potential partner and the synergy and market potential for us.

In addition to that, in recent years SUSS MicroTec has built up a strong network of partners with consortia such as SECAP and MEMUNITY. Are you going to continue working with the consortia?

DR. SCHNEIDEWIND: Yes, on the important SUSS MicroTec markets of advanced packaging and microsystems technology there is no alternative to partners and networks, such as those of SECAP and MEMUNITY. We will continue to cultivate and intensify these partnerships and, wherever it makes sense, enter into new partnerships. The most recent example of that is the cooperation with IMEC, Europe's leading independent research center for microelectronics and nanotechnology. Together with IMEC, SUSS MicroTec is, for the first time, researching and developing new Device Bonder technologies for microsystems technology.

Last year, the demand for SUSS MicroTec equipment for advanced packaging was particularly brisk. What was the reason for that?

DR. SCHNEIDEWIND: Advanced packaging – the innovative bonding technology for chips – is and will remain a very important market for us. In time, it will hardly be possible for a semi-

conductor Company to engage in production without advanced packaging processes if it wants to remain competitive. This is accentuated by the fact that companies are switching to 200mm and especially 300mm production, thereby generating further demand for new equipment. Years of intensive research and development work have given us a very strong position in the advanced packaging market, which we want to safeguard and extend further. Over the past few years, our development work has repeatedly brought forth new technologies for the advanced packaging process; one example is the "SupraYield" technology package.

Is "SupraYield" technology an additional driver of growth?

DR. SCHNEIDEWIND: Since being launched on the market in 2003, "SupraYield" has already been ordered by large numbers of customers. The heaviest demand is presently coming from the advanced packaging market. With the photolithographic technology "SupraYield" we are offering customers decisive competitive advantages in the production field – namely a higher throughput, better resolution and a higher overall output yield at significantly lower costs. This is one of our most significant assets – to deliver the best cost of ownership.

Asia has recently emerged as a strong growth market for SUSS MicroTec. Is that trend going to continue ?

DR. SCHNEIDEWIND: From our current standpoint, the importance of the Asian market will continue for SUSS. In recent years many countries in that region have been experiencing enormous economic growth. Particular success in the semiconductors

INTERVIEW WITH THE MANAGEMENT BOARD



segment has been enjoyed by countries such as Taiwan and Japan. In 2004 we received many, also strategically important orders from Asian customers, such as the packaging foundries Unitive, ASE and XinTec. Since these foundries are themselves market and technological leaders, it is particularly important for us to have them as customers. In the future, the semiconductor industry will surely also profit from the growth in China where we see another Asian market for SUSS MicroTec.

What growth potential do you see for the markets of microsystems technology, compound semiconductors and the test & measurement field?

DR. SCHNEIDEWIND: Microsystems technology is an extremely diversified and interesting market. The diversity and extraordinary performance capacity of the tiny microsystems are proving to be increasingly significant and useful in many technical fields such as the automobile industry, medical technology and telecommunications. The reason for this is that these minute electromechanical components are being installed in more and more devices (such as GPS systems, tire pressure sensors and many more). SUSS MicroTec is already present in the microsystems technology segment, where it is increasingly helping to shape current and future technological applications. One example is our "nanoPREP" process, which increases the stability of microsystem applications and accelerates the production of the sensitive components. By virtue of its diversification, this segment, as a whole, boasts very different levels of growth potential.

I also continue to see great potential for test & measurement. With components becoming more and more complex, semiconductor manufacturers are becoming increasingly reliant on the detailed analyses of the chips. Only in this way can subsequent faults in finished products be prevented. In recent years we have strengthened our market position significantly, often through the development of unique and customer-specific solutions. We will continue this successful strategy in the future.

The overall market for compound semiconductors has been mainly stagnant during the past four years, primarily as a result of the overcapacity that emerged during the overheated growth phase around 2000. I am more optimistic about developments in 2005. The market for optoelectronics equipment, in particular, is reviving, for example in the field of light emitting diodes (LEDs).

Will this growth potential soon be reflected in the figures?

MR. SCHULAK: Our target is clear: SUSS is aiming to break even as quickly as possible on the basis of sales of 100 million euros. In the last fiscal year we still needed sales of 120 million euros to achieve this. Irrespective of the general trend in the industry, we will achieve this target only if we successfully exploit our technological potential in every segment and continuously improve the efficiency of our corporate structure.

What does that mean in detail?

MR. SCHULAK: Many processes within the Company are of a technical nature, whether order clarification in the sales and marketing area or traditional development work. In a highly technically-oriented environment, people often lose sight of what is essential and necessary: many things provide no added value for customers and some things are developed anew although a finished solution for that problem in question already exists within the Company. In many organizational areas, we have to ask critical questions about what potential exists for standardization and therefore cost reduction. The fact that this potential is substantial was shown in exemplary fashion by the potential analysis that was carried out for our Garching, Aßlar and Vaihingen sites in the autumn of 2004. This revealed, for instance, that the integration of similar modules into different products can generate considerable cost reduction potential and significantly increase production efficiency.

Are you also planning further restructuring measures?

MR. SCHULAK: Reducing costs is an important topic. By closing our plant in Aßlar, we will be making a major contribution to cost efficiency in the Group. We are also focusing on areas such as purchasing, development and sales administration, where we also see substantial reserves.

Can you also imagine tightening the product portfolio?

DR. SCHNEIDEWIND: Basically, the product portfolio must be monitored continuously for its profitability and future prospects. Our various product lines are currently serving our chosen markets very well and complement each other usefully. This synergy has enabled us to make a convincing impression on our markets. We will continue to provide innovative products of high quality to the markets we serve.

What significance will the research and development area have for SUSS MicroTec in the future?

DR. SCHNEIDEWIND: Research and development (R&D) is always key for a technology Company such as SUSS MicroTec. An interesting product mix such as ours is impossible to achieve without a strong R&D team. We must work in an extremely future-oriented way and our R&D department will have to virtually foresee new technological trends. Targeted research and development drives product advancement and enables us to maintain our competitive edge.

How do you assess the trend in the semiconductor industry in 2005?

DR. SCHNEIDEWIND: A difficult question – the trend over the past few years has shown that developments are becoming harder and harder to predict. This is also shown by the very different forecasts made by various research and market research organizations and those coming from banks and investment companies. At the moment, the forecasts could be summarized as follows: most are assuming that there will be a slight downturn in the semiconductor industry in the first half of 2005, followed by a recovery in the second half of the year. Unfortunately, there's no crystal ball to help us foretell the future. So all that remains is an orientation towards factors such as customer inquiries and order entry. At the moment these are looking satisfactory. SUSS MicroTec is known to have a slightly delayed cycle.



For instance, we participated only to a limited degree in the semiconductor industry's revival in 2004. Consequently, we are assuming that there will be no significant downturn in our business in the first six months of 2005. At this point, however, I would again like to stress that these assumptions are subject to the vulnerability of the markets.

Will the market expectations also have an impact on the SUSS MicroTec share price?

MR. SCHULAK: The share price is determined by the market – here the principle of supply and demand is clear. I believe that there is potential for a positive development of the share price, and we are going to continue with our active investor relations work. Naturally, the SUSS MicroTec share price is also influenced by the general climate on global stock markets and, first and foremost, sentiment in the semiconductor segment.

What is your goal for the SUSS MicroTec-Group over the next few years?

DR. SCHNEIDEWIND: The primary goal is profitable growth in every business segment. SUSS MicroTec must be capable of generating positive results all over the world. Cost reduction programs are certain to play a major part in this but our market position will also be crucial. It is most important, however, that we keep supplying necessary new solutions through vital R&D work, developing tomorrow's technologies today and thereby secure our future success.



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FOCUS ON INNOVATION

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>> Advanced bonding technologies for chips and microsystems are already making an intelligent, networked environment possible: technical innovations are making our lives simpler and safer in many ways. The potential for future developments lies in the “technology behind the technology” – the complex high-tech world in which SUSS MicroTec operates. We focus on developing tomorrow’s solutions so that our customers can benefit from these new technologies. <<

Dr. Ralf Süß, Manager Product Development SMTL

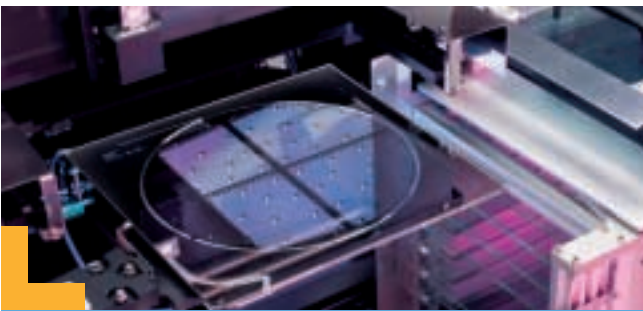


HIGHLIGHTS 2004

SECOND QUARTER

Computer Chips Put to the Test at -269 Degrees Celsius

Leading semiconductor producers are making increasing use of the highly specific "Cryogenic Prober PAC 200/300": we were able to attract one of the largest chip producers in the US as a customer. The Company uses the SUSS MicroTec Prober for testing new materials in the 300mm segment that are going to be used in super-computers' chips in the future. The Cryogenic Prober offers testing possibilities at extreme temperatures: it tests down to minus 269°C. The low temperature is necessary to better identify and analyze so-called leakage currents in advanced chips, thereby making design improvements possible.



FIRST QUARTER

New Age Dawns for Production Tests

A significant development expands the Prober production line. The new Cluster Probe System (CPS) shortens the analytical test by testing microchips more quickly, more effectively and with greater versatility during production. This new Prober system from SUSS MicroTec is particularly advantageous for the microsystems technology and compound semiconductors markets. Previously, tests in these areas were extremely time-intensive and this resulted in production phases which were long and expensive.

Automobile Industry Relies on SUSS MicroTec Products

SUSS MicroTec products are increasingly ensuring that cars are safe. The Infineon subsidiary SensoNor, Europe's largest microsystem producer for the global automobile industry, obtains its equipment from SUSS MicroTec. The Company was particularly impressed by the cost of ownership of SUSS MicroTec products (Mask Aligner and Substrate Bonder). These are now being deployed in the volume production of tire pressure sensors. The automobile industry is the second most important segment on the microsystems technology market and will continue to grow strongly.

Bonding Processes Become More Flexible

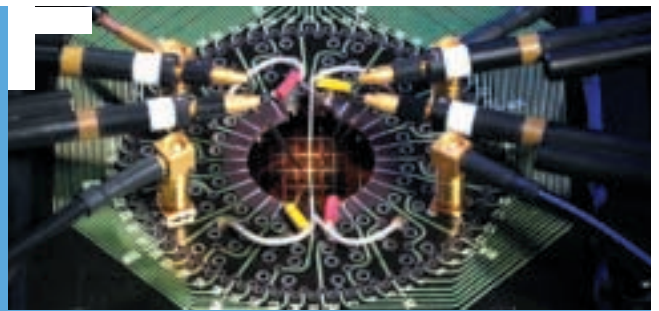
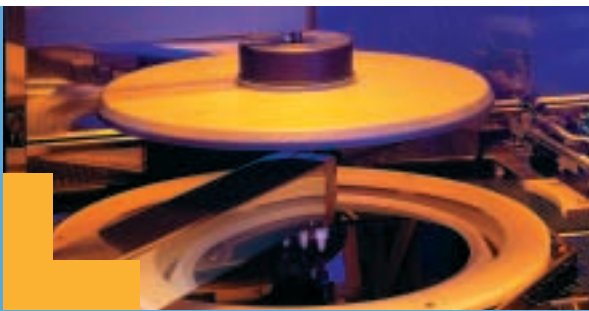
SUSS MicroTec and the research center IMEC are jointly developing new Device Bonder technologies for microsystems technology. IMEC is Europe's leading independent research center for microelectronics and nanotechnology and is based in Belgium. Until now, it has not been possible to deploy Device Bonder until after the actual production of the chips – where they then bond components cut out of the wafer to the end product. SUSS MicroTec and IMEC want to make Device Bonder ready for use as early as wafer level, making the bonding of microsystems possible there. In this way, the Device Bonder will become more flexible and gain new possibilities of utilization.

FOURTH QUARTER

Optimum Light with SUSS MicroTec Technology

More and more LEDs are being produced using SUSS MicroTec machines. The world's largest companies in the optoelectronics technology industry continue – increasingly, in fact – to put their faith in our equipment. In the fourth quarter, for example, OSRAM again ordered the system solution “LithoFab200.” OSRAM uses LithoFab200 for the mass production of LEDs and continues to trust SUSS MicroTec's products on the basis of its positive experiences.

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THIRD QUARTER

SUSS MicroTec and IBM Conclude Technology Agreement

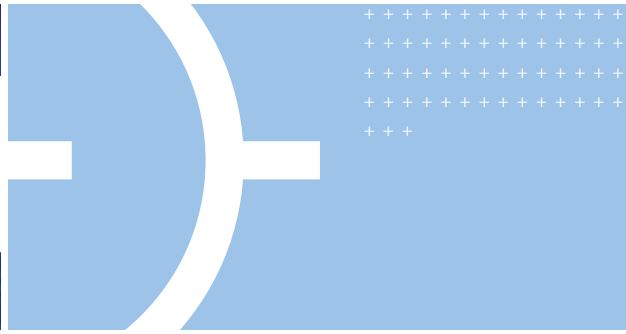
Technology and the environment have seemed difficult to reconcile until now. In cooperation with IBM, SUSS MicroTec is developing the technical equipment for a Flip-Chip Bonding (packaging) solution that is environmentally friendly – because it's lead-free. The basis for this is IBM's patented C4NP packaging technology. As a technical solution, C4NP combines zero lead content, high reliability, fine-pitch capability, low material deployment, lower production costs and maximum flexibility. The combination of these attributes in a process solution is unique in the semiconductor industry to date.

As part of this partnership, SUSS MicroTec is developing the equipment for a complete C4NP production line that will then be offered and marketed as an autonomous line. The factors that convinced IBM included: the cost of ownership of SUSS MicroTec's products, our existing products and technologies and our know-how on the advanced packaging market. The project is being financed by IBM Deutschland Kreditbank GmbH.

The agreement with IBM is an important milestone for SUSS MicroTec because the successful development of the C4NP equipment is opening up a unique market position and growth potential for us. For more information about the agreement with IBM, please see page 18 (“The Advanced Packaging Market” section).

Customers Satisfied with Service and Support

For the eleventh consecutive time, SUSS MicroTec has received top marks for its customer orientation, according to the results of the VLSI Research questionnaire for the 2004 show. The renowned research institute VLSI Research, which specializes in the semiconductor industry, has been assessing the customer service of equipment suppliers since 1993. This means that since VLSI began to collect data, SUSS MicroTec has been one of the companies in the semiconductor industry with the most satisfied customers. You can find the detailed results at: <http://www.vlsiresearch.com>.



CLUSTER-SYSTEM LITHOPACK300

BUSINESS FIELDS

SUSS MicroTEC EQUIPMENT

SPIN COATER

In a Spin Coater, a photosensitive liquid (photoresist) is dispensed in the center of the wafer and distributed evenly across the surface by rotating at high speed. The GYRSET process patented by SUSS MicroTec enables a particularly thick (> 50µm) layer to be applied very evenly to the wafer in a cost-saving process. This photosensitive resist layer can be compared to the film in a camera, which is similarly exposed when the shutter is released.

MASK ALIGNER

Firstly, the Mask Aligner aligns a glass mask, on which the microscopic image of one layer of the chip is saved, to a coated wafer. The alignment occurs with sub-micron accuracy. Secondly, the Mask Aligner carries out an exposure using ultraviolet light. This transfers the image of the mask photolithographically on a scale of 1:1 onto the wafer coated with photoresist. The ultraviolet light leads to a change in the molecular structure in the photoresist, with the result that the areas that were exposed to the UV light can be released chemically in the subsequent development step by means of a developer liquid. The “size” of the printed structures transferred in this way varies between less than one micron and more than 50 microns (for comparison, a human hair is approximately 50 microns thick).

DEVELOPER

The Developer uses chemicals to dissolve the image of the mask structure that was previously created by the Mask Aligner away from the photosensitive coat on the wafer. Depending on the thickness of the photoresist coat, a three-dimensional image is thereby created as a structure on the wafer. This process step is comparable with the development of a negative, in which the surfaces of a photo with different levels of exposure also appear as a result of chemical treatment.

BONDER

A Bonder bonds two or more wafers, which are aligned to each other with the utmost precision. The bond is made by soldering or glueing the wafers to each other or by using some other physical/chemical procedure. Two- to three-dimensional structures can be produced with wafer bonding in conjunction with various etching and exposure processes. Different bonding procedures which, depending on the wafer material, require process conditions across the entire spectrum of parameters have been established on the market.

PROBER

A Prober conducts individual, analytical tests of microchips on wafers. With the help of probe heads, electrical signals of microscopically small structures within the chip are picked up and analysed. Alternatively, stress tests using pressure, electricity, force, heat or cold show whether the chips fulfill the requirements. These measurements provide an early indication of faults.

THE ADVANCED PACKAGING MARKET

HIGH-TECH MADE TO ORDER

One of SUSS MicroTec's two most important key markets is leading into the field of chip connection. The term "advanced packaging" – which signifies a new technology for chip connection – simultaneously defines the market and the production process. Advanced packaging is a connecting technique for semiconductors with which chips are placed directly on the substrate at high connecting density, making the most of the space available. This substrate is also referred to as the printed circuit board – and the critical process that occurs on this surface is what you could say is at the "heart" of technical products: the greater the connecting density of the chips, the higher the efficiency and quality of the final product, e.g. the cell phone, laptop or PDA.

Advanced packaging is deployed when the actual production of the chips has been completed. The finished wafer, which can hold more than a thousand chips, has already gone through up to 250 production stages over several weeks and, as a result of this substantial increase in value, might already be worth several thousand euros. For that reason, the SUSS MicroTec equipment used to complete the process must work with great precision and reliability. In other words, a very high yield and an extremely low fault rate are crucial and only in this way can advanced packaging save our customers production time and thereby money.

SUSS MicroTec has secured a leading position on the global market for advanced packaging with its equipment – and in 2004 enhanced that position even further. In 2004 there was increased demand for fully automatic equipment for the 300mm segment. These orders for advanced packaging were spread across almost all of SUSS MicroTec's product lines:

Mask Aligner, Spin Coater and Developer, Device Bonder and Prober. Some customers ordered individual tools, while others placed direct orders for SUSS MicroTec systems. The systems incorporate various process stages and therefore several SUSS MicroTec products are integrated (such as the "LithoPack 300"). Customers included major players in the semiconductor industry, from packaging service providers (foundries) to chip producers.

One criterion is always highly significant for all of SUSS MicroTec's customers when they are choosing their products: the economic efficiency of the equipment with regard to acquisition costs, clean room costs and operating consumption and maintenance costs. These costs can be summarized as "cost of ownership." In the mass production of microchips in particular, as with advanced packaging, the cost of ownership ultimately determines how successfully semiconductor manufacturers overcome the technological challenges and assert themselves in the tough environment of international competition.

SUSS MicroTec has geared its equipment to the respective needs of its customers. All of SUSS MicroTec's products for advanced packaging offer each individual customer an outstanding cost of ownership. What is more, SUSS MicroTec is setting further groundbreaking standards for the advanced packaging process. One example of this is "SupraYield," the photolithography technology with which costs in the production process – specifically in the standard exposure procedure – are reduced further.



BUSINESS FIELDS

A glance at the final products gives an indication of the technical challenges that semiconductor companies currently face. Take, for example, the cell phone: the cell phone camera has now become an integral feature of cell phones. When we took pictures with the first photo cell phones, we were glad when the picture was even roughly discernible. These days, the cell phone camera picture quality almost meets the standards of “traditional” cameras. Of course, development won’t stop there. In the near future, cell phone cameras will attain the quality of digital cameras – thanks to innovative technologies such as advanced packaging. Other areas of deployment for advanced packaging with current and future significance are to be found in graphic chips for final products like the Playstation®, or the X-Box®. The integration of passive components at wafer or module level is another current requirement of advanced packaging.

The success of SUSS MicroTec is attributable not only to its own intensive research and development, but also to its close cooperation with customers and partners. For some four years now, the Semiconductor Equipment Consortium for Advanced Packaging (SECAP) has occupied a significant position in the partner network. In conjunction with SECAP, SUSS MicroTec is setting new milestones in the advanced packaging segment. This includes, for example, the installation and operation of a complete 300mm advanced packaging production line at Unitive, a leading packaging foundry based in Taiwan. Thanks to its partnership with SECAP, SUSS MicroTec can test, monitor and optimize the interplay of its own machines with partner equipment in practice and ultimately perfect them for the customers.

The high-quality and innovative SUSS MicroTec equipment also convinced IBM, the global leader in semiconductor production and this led, in 2004, to the launch of a distinctive cooperation in the advanced packaging field. In the context of a technology agreement, SUSS MicroTec and IBM are defining new paths for chip bonding and are shaping the technological future together. This is based on the patented C4NP packaging technology from IBM (Controlled Collapse Chip Connection New Process). C4NP is unique because firstly, it further reduces the process costs for wafer bumping as a result of low material costs. Secondly, wafer bumping (the most important production stage in the advanced packaging process), can be implemented 100 percent lead-free for the first time ever. To date, C4NP has been used only for research. In the future, the C4NP process should be available to the entire market. That is why SUSS MicroTec is developing the equipment for a complete C4NP production line as part of the cooperation with IBM. In the process, SUSS MicroTec can largely resort to the existing core technologies – Mask Aligner, Device Bonder and Prober – and develop them further for integration into C4NP. Through concentrated efforts in these areas, SUSS MicroTec has highly developed and mature core technologies at its disposal. The cooperation with IBM underlines SUSS MicroTec’s exceptional position on the advanced packaging market and extends the possibilities of helping to shape this market of the future more strongly. Ultimately this will make electronics not only more reliable, diverse and inexpensive, but also more environmentally friendly.



THE MICROSYSTEMS TECHNOLOGY MARKET

INVISIBLE FORCES

Microsystems technology (MEMS) takes us into a fascinating microworld in which invisible forces operate dynamically, efficiently and with incredible versatility. To the naked eye, the microworld remains invisible. A micron, after all, is only one-thousandth of a millimeter. Only the effects generated by the use of microsystems technology make them visible again. For every day, we move with and between microsystems. In automobiles and consumer electronics in particular, we are surrounded by the tiny systems. In the car, microsystem technologies, for example in sensors, ensure safety and comfort. Current standards such as the navigation system, anti-blocking system or the air-bag are made possible only by the use of microsystems. They carry out a diversity of important tasks in the smallest spaces.

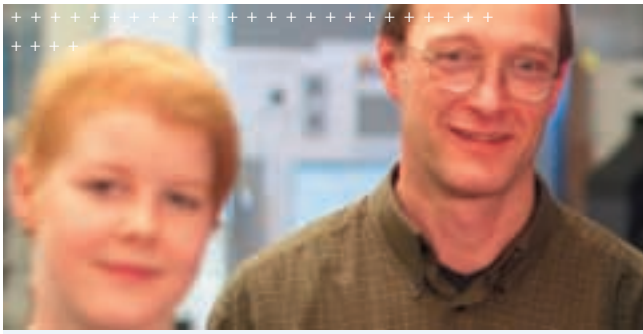
A quite different example gives some indication of the range of application fields for microsystems technologies. In the consumer electronics segment, for example, the video projector (beamer) is the “living space” of microsystems. In the office, the beamer is now part of basic equipment; at home it is increasingly replacing the television. The quality of beamer playbacks is determined, again, by microsystems. Countless movable mini-mirrors in the projector display within the beamer provide maximum technical performance for crystal-clear images.

Only the greatest possible precision during production guarantees that microsystems will later produce their unique performance and diversity.

Along with advanced packaging, microsystems technology is SUSS MicroTec’s most important key market. For years, SUSS MicroTec has been offering by far the most comprehensive range of equipment for producing MEMS components. All of SUSS MicroTec’s product lines are used in the production process for microsystems technology. In particular, Mask Aligner and Bonder from SUSS MicroTec are part of the standard equipment used by microsystem manufacturers. In 2004 there was also a high level of demand for Coater (Spray Coater), which in contrast to the standard method coats the wafers in a spraying process. A patent application has been submitted for this SUSS MicroTec procedure, with which even tiny or three-dimensional structures can be coated with a resist layer. SUSS MicroTec Bonder were another product line for which demand increased in the past fiscal year. The Substrate Bonder in particular is increasingly in demand in the MEMS segment. With its extreme precision and positional accuracy, it enables the precise bonding of tiny and highly sensitive microsystems as early as wafer level – even with large production volumes.

In contrast to advanced packaging, the machines used in MEMS production are still mostly manual or semi-automatic. Only a few products – such as those used in the aforementioned examples of cars and consumer electronics – are manufactured in mass production. For high production volumes, com-





BUSINESS FIELDS

panies such as the Infineon subsidiary SensoNor order their equipment from SUSS MicroTec. Another Group of customers comprises internationally renowned research and development centers such as the Fraunhofer Institutes, which are advancing the development and production of MEMS components with the help of SUSS MicroTec machines. To enable the individual research steps to be transferred directly to production level, SUSS MicroTec is working hand in hand with its customers. The results of such cooperation are often trailblazing – as was shown by the “nanoPREP” procedure that SUSS MicroTec developed in cooperation with the Max Planck Institute.

Since 2003, on the initiative of SUSS MicroTec, the world’s first testing forum MEMUNITY has been in existence to ensure broad-based cooperation on the microsystems technology market. MEMUNITY’s objective is to develop testing procedures before and during microsystem production. In this way, the operability and performance capacity of the “mini-worlds” can be tested even before the production process begins. This results in production cost savings of up to 80 percent for microsystems manufacturers. At the same time, new production standards for microsystems can be driven forward within the forum.

The permanent refinement of production processes and initiatives like MEMUNITY are making it possible to implement MEMS developments for a broader target Group. This includes

developments for the widest variety of areas, such as the computer industry, human medicine and environmental analysis. New applications are also being heralded for household goods, telecommunications and sports articles. In the sports sector, it is possible that we will soon be wearing intelligent shoes that “keep pace” with our way of walking and our fitness. Such shoes would be equipped with sensors which send signals to indicate, for example, when the body needs a break. In the future, microsystems in the telecommunications sector will protect us from loud cell phones ringing at the movies, in a museum or at meetings. For with the help of intelligent microsystems, wireless devices will then perceive their environments, adapt their signals accordingly or automatically switch them off altogether – even if all that still “rings” like a daydream today.

THE COMPOUND SEMICONDUCTORS MARKET

CLEAR VIEW THANKS TO LEDs

Around 120 years ago, Edison's electric light bulb revolutionized our surroundings. Today, the light emitting diode (LED) is bringing about far-reaching changes in the world of illumination. This "successor" of the electric light bulb is based on the optoelectronic attributes of compound semiconductors, which convert the electrical current into light with the utmost efficiency. In 2004, SUSS MicroTec's market for compound semiconductors benefited particularly from the high level of demand for light emitting diodes. The advantages of LEDs are becoming more and more evident and their fields of application more and more diverse. The many advantages of LEDs include their small size, compactness, stability, efficiency and long lifespan. With their substantially higher light yield and diversity of color compared with conventional light bulbs and fluorescent lights, LEDs are now lighting our way day and night. We encounter them in their already traditional application fields in cars: as brake lights, rear lights and as interior lighting. In the new generation of technical products, LEDs are "enlightening" cell phones – in the display, the buttons or the flash of the camera. In football stadiums, LEDs provide clear signals on the large screens, while on flat screens too, they bring us increasingly glowing colors with a new level of quality. Special fields of application for LEDs are also emerging on the basis of their UV-free radiation and their low level of heat generation. Thanks to their low operating voltage, LEDs can be used safely even in a damp or wet environment.

The light yield and lifespan of LEDs are being optimized further. Another quality enhancement has been made possible by continuous improvements in production processes. All of SUSS Micro-

Tec's product lines are represented in the production of LEDs. The most important of the production stages in this area is photolithography, and correspondingly heavy demand is currently being enjoyed by SUSS MicroTec's Mask Aligner products. Increasingly, however, customers are also resorting to integrated systems solutions. By integrating Spin Coater, Mask Aligner and Developer into one machine (a so called "cluster"), the customer covers three essential processes in the production of LEDs – leading to a significant reduction in production costs.

On the compound semiconductors market too, SUSS MicroTec's Substrate Bonder are increasingly being used for the production of extremely efficient LEDs. For example, LEDs which are used in large screens or in sophisticated automobile applications. Their great flexibility is particularly in demand if LED components are equipped with internal mirror surfaces to increase the light yield further. Thanks to this process, all of the light produced by an LED goes in one direction – outwards, instead of inwards where it would be uselessly reabsorbed.

As LEDs become increasingly significant and larger volumes of them are manufactured, quality control is becoming more important. For that reason, semiconductor companies are now using testing devices as standard equipment for process analysis and monitoring within the scope of LED production. SUSS MicroTec recognized this market of the future and developed the special test product "Cluster Probe System" for LED tests. By doing so, it has already secured for itself the leading position in the compound semiconductors market segment (see also page 22 chapter "The Test & Measurement Market").



BUSINESS FIELDS

The increasing significance of LEDs has clearly driven SUSS MicroTec's growth forward on the compound semiconductor market. In addition, thanks to the increased deployment of SUSS MicroTec equipment on this market, the Garching-based Company is now increasingly helping to shape the current and future development of LEDs. It is expected that LEDs will influence and reshape lighting technology, just as semiconductor technology has already done in the electronics sector. In the LED components segment, average growth of more than ten percent is being assumed for the next seven years.

THE TEST & MEASUREMENT MARKET

CHIPS WITH A GUARANTEE

SUSS MicroTec's test & measurement segment is focused on a special market segment, with the emphasis on not only production, but also the analysis of components. Within the scope of Test & Measurement, the electrical behavior of components is analyzed and evaluated on a chip – in research, development and production. To carry out these individual analytical tasks, SUSS MicroTec developed the Prober product line. None of SUSS MicroTec's other product lines is so strongly diversified. For some 15 manual, semi-automatic or fully automatic Prober, there are around 1,000 accessories such as probe heads, measuring cables or microscopes – and their number is increasing. The more refined and complex chip production becomes, the more individual tests are demanded. Only analytical tests (e.g. fault analysis or lifespan tests) ultimately guarantee us flawless products. Prober are therefore used on all of the production markets. Particularly important areas of analysis are the semiconductor market in general, high-frequency technology, microsystems technology and optoelectronics technology. In these markets, the work carried out by the Prober is highly specific, individual and flexible. One prime example of this is the "Cluster Probe System".

SUSS MicroTec developed the "Cluster Probe System", which was launched on the market in 2004, specifically for microchip production tests for markets such as optoelectronics technology and microsystems technology. The objective was to accelerate the production phases by fine-tuning the very lengthy microchip production tests without compromising the level of quality. That is why SUSS MicroTec conceived the "Cluster Probe System", based on the proven cluster concept that is already being used

in SUSS MicroTec's other production equipment: up to six Prober are assembled around a central PC and a charging station. This concept saves space – a very expensive commodity in the clean room – and, because all of the Prober work parallel to each other, this approach also saves time. Every individual Prober in the cluster can, depending on requirements, be configured in completely different ways, and can therefore conduct tests in heat, with electricity or with air pressure or analyze the light intensity of light emitting diodes.

In addition to the functional tests described above, SUSS MicroTec Prober are also used for chip characterization, fault analysis and reliability tests. All of the testing areas are becoming increasingly significant – and all of them are subjecting SUSS MicroTec's developments to the same stringent demands: tests have to proceed faster, more cost-effectively, more individually and more precisely at all times. This high-tech cosmos can be best understood if you take a look inside a PC: at the start of the 1990s there were still fewer than four million transistors in there. Now there are around 50 million transistors that help the PC to achieve its current performance capacity. It is said that in the future, 400 million transistors will be placed in our computers, despite the fact that they are getting smaller all the time. The optimization of testing and production procedures must therefore run as a parallel process – but with a small head start for the testing equipment. Only then can semiconductor manufacturers successfully proceed according to the roadmap.

This again becomes clear when the PC is taken as an example: reliability tests have to be conducted if the PC is to function flawlessly. Previously, these took place consecutively on the hundreds of chips or after the separation and encapsulation of the components. The tests, consequently, lasted up to 300 hours for each wafer. Only the new Prober developments reduced the testing period from weeks to hours. For example, a new manual SUSS MicroTec Prober already analyzes many tiny test structures simultaneously on wafer level. This analytical method is an absolute first global. Customers benefit from it in two ways: the test runs are considerably faster and production costs are substantially lower.

These examples make clear how individual the testing solutions are. Every Prober is equipped for every individual analysis according to the customer's needs. Only in this way 100 percent precise measuring results are possible at all. That is why close cooperation with customers is an integral component of the test & measurement market and a crucial factor in SUSS MicroTec's successful Prober concept. With its range of Prober, SUSS MicroTec strengthened its test & measurement market strongly in 2004.



>> Individual customer wishes are our focal point. Every machine that emerges from our production process is geared towards the customer's requirements, and many of them are unique specimens. They all have one thing in common, however: they have to work with the utmost precision, for only then do they optimize the production processes and improve the quality and functions of our customers' products. With their outstanding precision, our products are global leaders in their segment – and installed on the premises of nearly every reputable manufacturer and service provider in the semiconductor industry. <<

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Stefan Daub-Klose, Production Manager SMTL





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FOCUS ON PRECISION





THE SHARE

SUSS MicroTEC SHARE WITH MARKDOWNS

In summary, 2004 was marked by cautious sentiment on the German stock markets. The German stock index DAX closed at year-end with 4.256 points and gained 7.3 percent in comparison with 2003. The TecDAX, which is an important comparative index for SUSS MicroTec, lost 3.9 percent in the reporting period. Generally, no real stock market trend was discernible in 2004 and no clear investment strategies emerged. Institutional investors acted with great caution; the number of private investors in shares and mutual funds declined further. The uncertainty about a sustained positive trend on the stock markets still predominated among investors in 2004. Last year the shares of the semiconductor companies showed a worse trend than the stock markets as a whole. Although the semiconductor industry grew substantially in this period, the companies' share prices failed to reflect this trend. It can be assumed that the expectations for the semiconductor industry in 2005, which have been contradictory for some time, were already "priced in" by the market in 2004.

The development of the SUSS MicroTec share was particularly disappointing. In the first three months, the share developed

parallel to the TecDAX. Between April and August, the share fell disproportionately compared with the index. Not until this point was it possible, to reduce a large part of the spread that had arisen within six weeks. Since October, the share again showed a substantial underperformance in comparison with the TecDAX. It lost 44.7 percent of its value in the year under review, and as of December 31, 2004, it was quoted at 5.61 euro, well below its book value.

The fact that positive news from SUSS MicroTec failed to influence its share price was characteristic of the SUSS MicroTec share's stock market performance in 2004. This was particularly evident in the third quarter of 2004. The announcement of the strategic cooperation with IBM had not been reflected in the share price by the end of the year. On the contrary: the downward trend continued, albeit more slowly. Factors such as contradictory industry forecasts and cautious investor behavior exerted too much influence on our share. This contrasts directly with the development of business and the share price in 2003, when our share was on a clear upward trend despite the negative develop-

SHAREHOLDERS' STRUCTURE:			
DR. WINFRIED SÜSS	6.76 %	WKN	722670
FREEFLOAT	93.24 %	ISIN	DE 0007226706
		RIC	SMHG.F
		Bloomberg Code	SMH GR
		Shares issued	15.156.884
		Share price as of Jan 1, 2004	10.10
		Closing price	5.61
		Year-on-year performance	-44.7 %
		Market capitalization as of Dec 31, 2004	85.03 Mio.
		Average trading volume / day 2004	87,459
		IPO	May 18, 1999
		Designated Sponsors	equinet AG
		Yearly high / low	12.60 / 4.50



ment of business. Our stock market years in 2003 and 2004 illustrate the diversity of factors that are anticipated in share prices, sometimes making price trends unforeseeable.

Despite, or perhaps because of, the unpleasant nature of the stock exchange year 2004 for, we continued to focus on our intensive investor relations work. The Management Board and the Investor Relations department maintained close contact with investors, analysts and representatives of trade journals. Roadshows, investors' conferences and individual discussions served as a platform for portraying the current development of business and as a forum for the intensive exchange of views on topics such as strategy and the future potential of SUSS MicroTec. We will continue the open dialogue with the financial community in 2005. In addition, we will further enhance our standard of transparent, open and timely communication with the capital market. The basis of this will be, among other things, the Investor Protection Improvement Law (AnSVG), which has been enacted since

October 30, 2004. We have already implemented some of the very strict and elaborate requirements of the AnSVG – such as drawing up and administering so-called insider lists. Our primary concern remains the same: to improve the protection of our shareholders continuously and to guarantee it as comprehensively as possible.

We offer our investors, and also anyone else who is interested, the opportunity to inspect of the public documents that provide information about the value and future prospects of SUSS MicroTec whenever they choose. These documents include the individual financial statements of SUSS MicroTec AG for 2004, annual and quarterly reports published to date and our articles of incorporation. In addition, you can find detailed information as well as our latest news in German and English on our website <http://www.suss.com>.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The purpose of the corporate governance codex is to ensure good and responsible Company management that is transparent for the shareholders and the general public. The Management and Supervisory Boards of SUSS MicroTec AG are actively implementing the standards laid down in the regulations and regard the Corporate Governance Code as an important part of our corporate culture. Already in 2002, we appointed a Corporate Governance Officer who reports directly to the Management and Supervisory Boards. Since then, Corporate Governance at SUSS MicroTec AG has been monitored and further developed at regular intervals.

In the summer of 2004, the Hamburg University of Economics and Politics published a survey that examined the extent to which the companies listed on the H-DAX (DAX, M-DAX, TecDAX) complied with the Code. The results of the survey illustrate the good performance of SUSS MicroTec: with 93 percent compliance, SUSS MicroTec occupied third place in the overall TecDAX ranking list.

The Corporate Governance Code currently contains more than 70 recommendations for which a Company, under Article 161, German Corporation Law (AktG), must issue an annual declaration detailing any deviations from the Code. The Declaration of Compliance of SUSS MicroTec AG, which is based on the current Corporate Governance Code as amended on May 21, 2003, was approved at the Management and Supervisory Board Meeting in December 2004 and then immediately made accessible on our website.

SUSS MicroTec AG complies with the recommendations contained in the prevailing Corporate Governance Code and will probably continue to comply with them in the future – with the following two exceptions (there are no changes compared to previous year):

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

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

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

- + The proxy can be reached during the Shareholders' Meeting.
- The Shareholders' Meeting cannot yet be followed over the Internet. In view of the additional costs that could result from the use of this technology, we are currently refraining from taking steps of this kind.

- Supervisory Board meetings are not prepared separately, since the Supervisory Board is not constituted on a codetermination basis.
- + The Supervisory Board meets without the Management Board if necessary.
- + An extraordinary shareholders' meeting will be called in the event of a takeover bid.
- + An opinion is given on the Code's suggestions.
- + The Management Board receives one-off and annually recurring variable remuneration components.
- + The remuneration of the Management Board contains variable components that are linked to commercial success,
- + as well as variable components with longterm incentive effects
- + and variable components with risk elements.
- + A Supervisory Board committee for Management Board personnel matters has been established.
- + It is intended that the appointment periods for first-time appointments to the Management Board should be shorter.
- + The Chairman of the Supervisory Board does not chair the Audit Committee.
- + No former member of the Management Board chairs the Audit Committee.
- + The Supervisory Board forwards other specialized topics to one or more committees to be dealt with.

- + The Supervisory Board has assigned the preparation of some meetings and decisions to committees.
- The appointment periods for Supervisory Board members have not been made more flexible.
- The Supervisory Board receives fixed remuneration, instead of remuneration components that are linked to the longterm success of the Company. The Supervisory Board does not regard performance-related remuneration as necessary for the proper and independent conduct of its supervisory activities.
- + The Company's publications are issued in English.

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

Garching, March 2005

For the Supervisory Board
Dr. Winfried Süß

For the Management Board
Dr. Stefan Schneidewind



>> Efficiency plays a large part in our products' success. The key indicator "cost of ownership" is therefore a central criterion in our customers' decisions. Within the SUSS MicroTec-Group too, the guiding principle is to achieve profitability by working efficiently. This involves, among other things, the ongoing examination of all our internal processes for their efficiency and optimization potential. <<

Dirk Bergner, Head of Group Controlling

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FOCUS ON EFFICIENCY



GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT FOR THE YEAR ENDING DECEMBER 31, 2004

THE GROUP

The SUSS MicroTec-Group manufactures and sells production equipment and testing systems for the microelectronics and microsystems industry. As a supplier of system solutions for semiconductor technology, the Group is a high-performance partner for the semiconductor industry in the laboratory and production fields. High-growth market niches are the target of SUSS MicroTec business activities. Servicing these markets requires the innovative development of technologies which offer long-term potential for tomorrow's markets and applications. The Group's core concern is the lithography and bonding technology of microchips to be used in chip production, telecommunications and optical data transmission. Larger process lines generally consist of several single tools. There, the Group has been setting up networks with internal and external partners – for example within the framework of SECAP – to create competitive advantages.

The Group maintains branches in Germany, the United States, France, the UK, Switzerland, Japan and Taiwan.

MARKET TREND

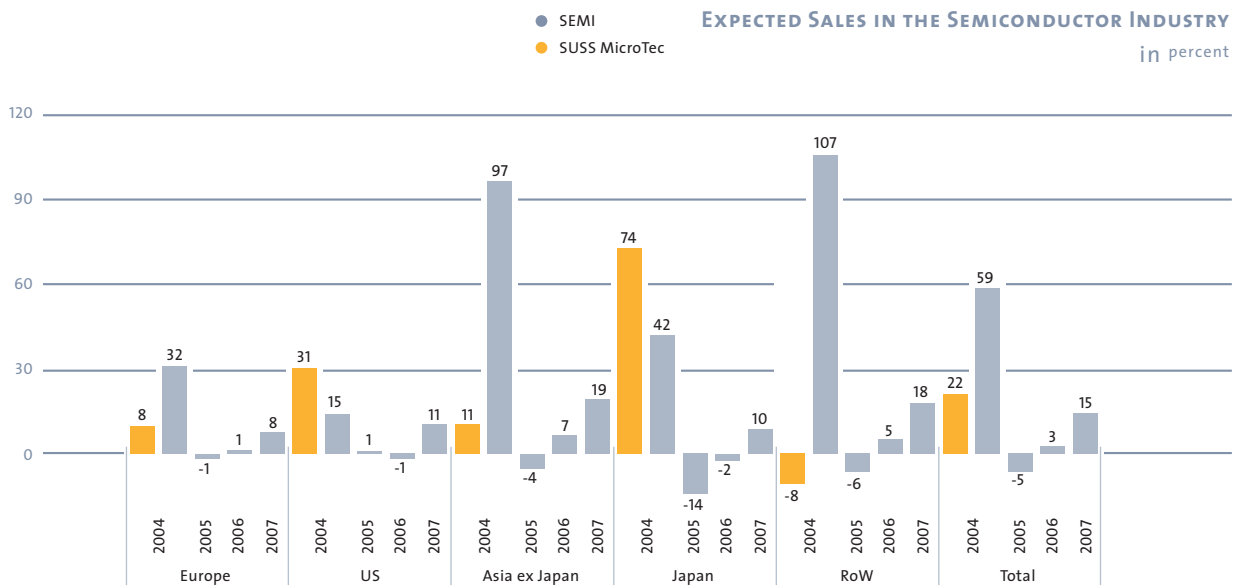
In 2004 the global economy showed a stable trend. This has positively impacted the development of business for semiconductor equipment suppliers. In 2004 the sector grew by approximately 60 % compared with 2003 thereby, after four years, returning to a path of growth.

The forecasts for the current fiscal year 2005 are contradictory. As far as the overall economic situation is concerned, a slow-down in growth is expected in the US, with the deficit situation and the associated exchange rate problems sure to remain topics for discussion in 2005. China is still trying to achieve a soft

landing for its overheated economy, and as a result we expect to see the investment climate there weaken. In 2005 we anticipate a continuation of the upward pressure on the euro – also a burden for our Company. The uncertainty about next year is also shown by the various forecasts from the research institutes: the current forecast by the SEMI association (see chart) shows a decline of 5 % for 2005, while other associations expect to see slight growth. At least it is generally agreed that no massive downturn can be expected.

As in the previous year, we would like to point out that the predicted decrease is typical of the cyclical course of business in the industry as a whole. Although our niche position means that we do not follow this cycle automatically, we are basically dependent on overall sentiment in the industry.

SEMI's latest estimates make it clear that growth in the industry will remain higher than the overall average for economic growth. However, it is also becoming discernible that the percentage growth rates are decreasing, an indication of the increasing maturity of this industry. The growing consolidation tendencies which result from that can already be observed today. Merger and acquisition activities are increasing significantly at present, and over the next ten years the number of independently operating semiconductor equipment suppliers is expected to decline substantially. Some estimates assume that in 2015 the number of companies in the industry will be approximately one-tenth of the current total. The part that SUSS MicroTec plays in this consolidation phase depends above all on the development of our market capitalization, which is currently very low compared to the industry as a whole.



BUSINESS TREND IN 2004

For us too, 2004 was a year of growth after difficult years in 2002 and 2003. Sales for 2004 have increased from EUR 92.6 million in 2003 to EUR 112.9 million in 2004 (+22 %). Order entries increased from EUR 101.0 million to EUR 119.1 million (+18 %). Basically, SUSS MicroTec also follows the cycles that prevail in the industry as a whole. However, in the last cycle, the Company displayed a delay compared to the main cyclical trend: in 2001 we generated substantial sales growth while the semiconductor equipment supplier industry as a whole was already posting declines in sales. The trend in order entries per quarter, compared with that of the previous year, also shows when our recovery began:

- 1st Quarter 2004: - 4 %
- 2nd Quarter 2004: + 44 %
- 3rd Quarter 2004: + 24 %
- 4th Quarter 2004: + 7 %

Since the second quarter, the Company's orders position per quarter has stabilized at a level in excess of EUR 30 million. This trend was driven not only by recurring orders of production equipment, particularly for advanced packaging, but also by the US and Japanese regions. Our new production machines for the bonding segment attained a good position on the market, creating a promising basis of installations for important customers in 2004. The environment for our Device Bonder product line, however, remained very difficult, with this segment posting a further decline of 33 % in its sales. The situation for compound semiconductors (telecommunications) again failed to improve in 2004. Apart from this product line, all of the other products in the portfolio increased their sales over the previous year.

The fact that SUSS MicroTec fell short of the overall growth rate in the industry can be attributed mainly to the fact that we serve only a sub-market (advanced packaging) dealing with high-



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priced production machines. It is these that generate the substantial fluctuations in sales (for instance, so-called front end steppers, e.g. from ASML, cost approximately EUR 15 million apiece). The growth of SUSS MicroTec in 2004 was driven by a strong increase in demand for production machines (up by 250 % compared to 2003) for advanced packaging. This market, though, contributes only some 30 % to Group sales. The other markets posted lower growth rates, with the result that Group growth ultimately came to just over 20 %.

On the other sub-markets that we serve (microsystems technology, compound semiconductors and testing systems), our activities in the production environment are more modest. This means that we have to generate growth primarily with targeted solutions for niche markets. In 2004, we have laid the foundation stones for potential growth in 2005 in the optoelectronics technology and microsystems technology areas.

The most significant developments in 2004 can be described as follows:

- Several foundry customers increased their 300mm capacities and 200mm equipment also showed a nice recovery.
- The SECAP line for 300mm advanced packaging applications was sold as planned in 2004. The investment in this former demonstration line has proven to be profitable. The possibility of demonstrating processes on our machines was a factor in companies' decisions to opt for further orders.
- The first bond cluster systems featuring "nanoPREP technology" were installed at several customers' sites in 2004. "nanoPREP" is a new technology that facilitates the bonding of silicon disks at temperatures so low that semiconductor circuits withstand these temperatures undamaged. This product's potential for sales in 2005 is particularly high.

- The interest in probe cluster systems continued to grow. In the LED segment, this system currently offers the possibility, without parallel anywhere in the world, of testing the microsystems directly on the wafer. The systems already installed are working excellently and make us confident about the current year.

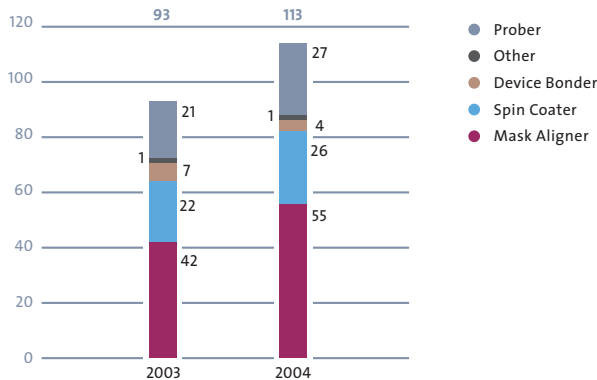
SALES AND ORDERS POSITION BY PRODUCT LINES

With regard to the proportions of sales by product line, approximately two-thirds were again accounted for by the Mask Aligner and Spin Coater product lines. In the order entries field, these two product lines even accounted for almost three-quarters of the aggregate value. This is explained by the fact that the other product lines hardly address production line customers – who are mainly responsible for the growth.

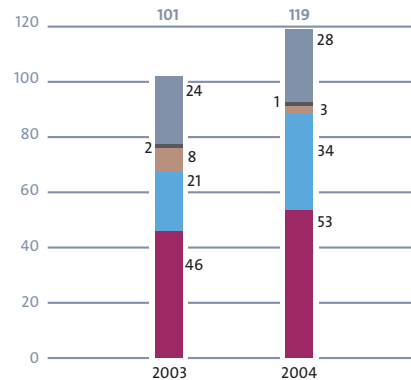
In the Mask Aligner segment (including Bonder), sales increased from EUR 41.9 million to EUR 54.9 million (+31 %). The main reason for this growth was the cyclical reappearance of demand for 200mm and 300mm production devices. For that reason there was also a similar trend in order entries, which increased from EUR 45.6 million to EUR 53.0 million (+16 %). The high selling prices of these machines were reflected in the figures for 2004 in such a way that the proportions of sales and order entries accounted for by Mask Aligners again increased in the overall figures of 2004.

In the Spin Coater segment, with sales of EUR 25.7 million (previous year: EUR 21.9 million; +17 %), the 300mm machines accounted for a crucial proportion of sales. The fact that growth in the Spin Coater segment was lower than that of Mask Aligner resulted from the high intensity of competition that prevails in the segment. In view of the competitive situation, a more cost-effective Spin Coater (Gamma production series) was developed for the fiercely contested 200mm pro-

SALES BY PRODUCT LINE
EUR (m)



ORDER ENTRIES BY PRODUCT LINE
EUR (m)



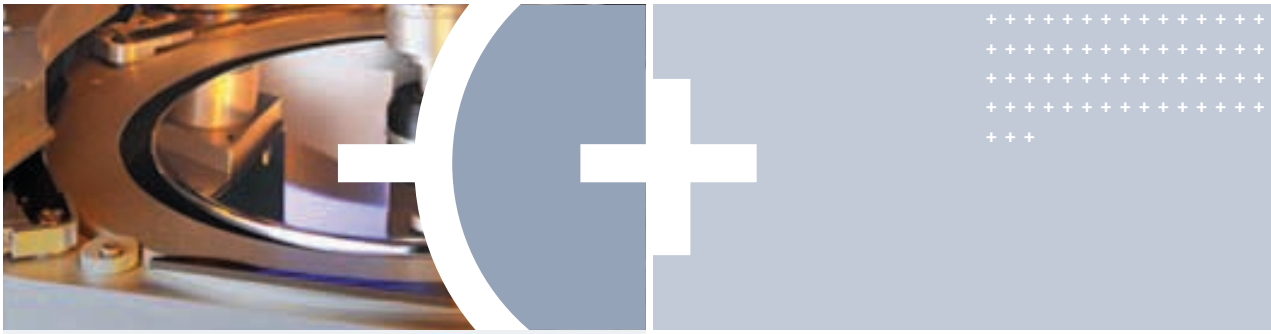
duction market and was positioned specifically for the requirements of foundries. This new line was already highly successful in 2004, although this is not reflected directly in the sales figures. This is because the average prices of the Spin Coater in the Gamma series are approximately 30 % lower than those of our high-end 200mm production Coater. In terms of order entries, the entire line recovered. Following the sharp decline in 2003 (-35 %), the figure increased from EUR 21.0 million to EUR 34.1 million (+63 %) in the year under review. Not least, a remarkably high number of orders for the Gamma series contributed to this growth.

The Device Bonder segment had to endure another decline in sales following a poor year in 2003 (-23 %). In 2004 the figure fell again from EUR 6.5 million to EUR 4.4 million (-33 %). All in all, the trend is disappointing, particularly when the slump in order entries is taken into account. Order entries decreased to a mere EUR 2.8 million, 64 % lower than in the previous year (EUR 7.9 million). The business trend in 2005 will be of crucial significance for this product line's future.

Our Prober also returned to a path of growth, increasing their sales from EUR 21.4 million to EUR 26.7 million (+25 %). Pleasingly, this product line withstood the last downturn very well and is showing itself to be relatively stable, even in a difficult market environment. Order entries increased year-on-year by 14 %; from EUR 24.4 million to EUR 27.7 million in 2004. Although this growth seems slight at first glance, the figure increased by 20 % before the end of 2003. In contrast to our forecast from the previous year, we now expect this product line to claim higher proportions of sales, around 25 %, in the long term – not the least because of its successes with the high-priced cluster systems.

SALES AND ORDERS POSITION BY REGIONS

In regional terms, convincing sales figures were generated not only in Asia, but also in the US. Despite a further decline in the value of the US dollar, our sales developed highly positively



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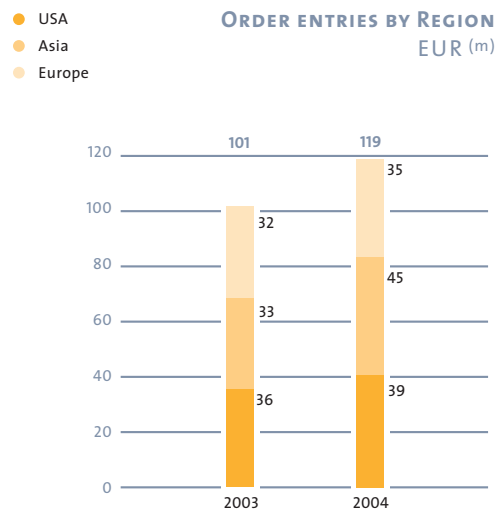
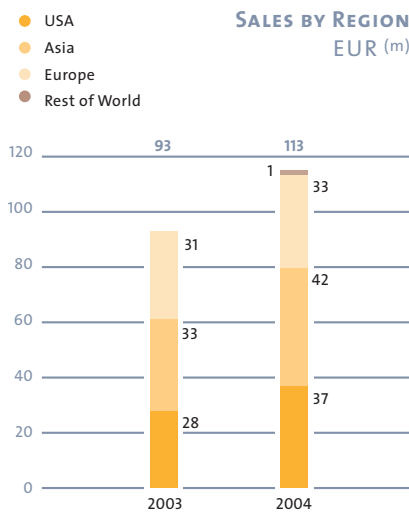
even when compared with the general trend in the industry. Europe, on the other hand, rose only slightly above its 2003 level and failed to live up to expectations. In the order entries field, the dependency of the production equipment on Asia is clearly evident.

In North America, sales increased from EUR 28.3 million to EUR 37.0 million (+31 %). Order entries increased from EUR 35.6 million to EUR 39.4 million (+11 %). In addition to test systems, the compound semiconductors and microsystems technology segments were served. In the advanced packaging segment, the medium-term expectations in this region are rather cautious.

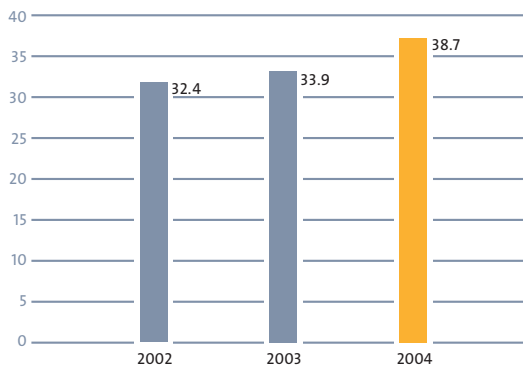
The trend in the Asia region very clearly reflects the cycle in the industry. Following a decline of 26 % in the previous year, sales increased by 28 % in 2004; from EUR 33.1 million to

EUR 42.2 million. The growth of 74 % in Japan (EUR 15.3 million compared with EUR 8.8 million) deserves special mention, while the rest of Asia improved by 11 % (EUR 27.0 million compared with EUR 24.3 million). Order entries in Asia rose more sharply than sales, from EUR 32.7 million to EUR 44.5 million (+36 %). In contrast to sales, order entries grew strongly in the rest of Asia (EUR 31.4 million compared with EUR 21.3 million; +47 %), while Japan posted weaker growth in order entries (EUR 13.2 million compared with EUR 11.4 million, +16 %). Taiwan, Singapore and South Korea are our most important markets for production equipment in the advanced packaging segment.

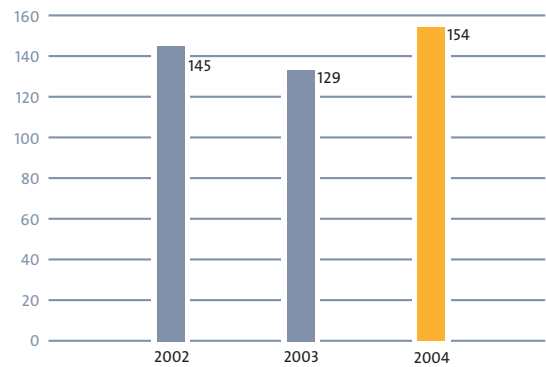
In Europe, where microsystems technology and test systems predominate, sales increased by 8 % from EUR 30.9 million to EUR 33.3 million. Order entries also increased only slightly in the same period, rising by 8 % from EUR 32.4 million to EUR 35.1 million.



ORDER BACKLOG AT END OF YEAR
EUR (m)



SALES PER EMPLOYEE
in thousand Euro



ORDER BACKLOG

Order backlog totalled EUR 38.7 million as per December 31, 2004. The ratio of newly received orders and recognized sales, otherwise known as the book-to-bill ratio, remained almost unchanged in 2004 at 1.06 (2003: 1.09). The most significant extraordinary effect in 2004 was a value adjustment amounting to EUR 3.8 million for an item that we do not expect to be delivered in 2005.

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

Net sales per employee (calculated at year-end value) increased by 19 % over the previous year from EUR 129,000 to EUR 154,000.

EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

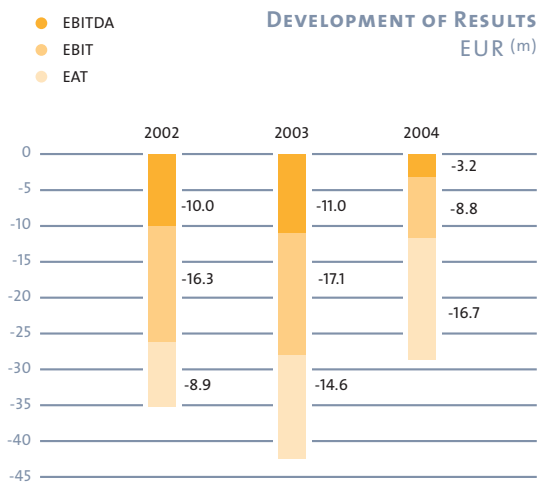
The earnings position in the SUSS MicroTec-Group is more strongly dependent on the development of sales than that of

other companies. The term used to describe this is “high operational gearing”. This means that a higher degree of fluctuation in earnings results from changes in sales. For example, a sales growth of 20 % leads to an improvement of 40 % in earnings. In our case, increasing sales accompanied by relatively constant administration, selling, research and development costs generally leads to a sharp increase in EBITDA (earnings before interest, taxes, depreciation and amortization).

Of the various key earnings ratios, only EBITDA was able to show any substantial improvement in operating performance over the past three years. It improved from EUR -11.0 million to EUR -3.2 million. A similar improvement was recorded for EBIT, where the losses were reduced from EUR -17.1 million to EUR -8.8 million. The improved operating performance finds no immediate reflection in earnings after tax (EAT), where the figure of EUR -16.7 million compares with EUR -14.6 million in 2003. This can be attributed to the fact that in 2004 a significant value adjustment of



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Bonder product line. In addition, cost of sales contain restructuring costs for the closure of the Aßlar plant in an amount of EUR 0.9 million.

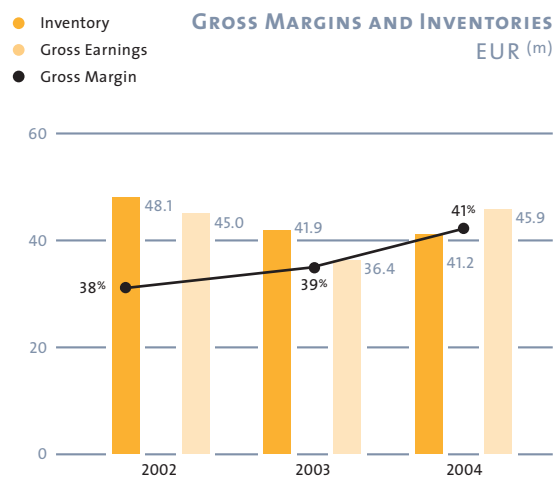
Compared with the previous year, the overcapacities in the production area decreased significantly. Capacity utilization problems now prevail mainly in the US (with Substrate Bonder), where the product is still in the sales growth phase and, in France (with Device Bonder), where the structural market problems are leading to very low sales.

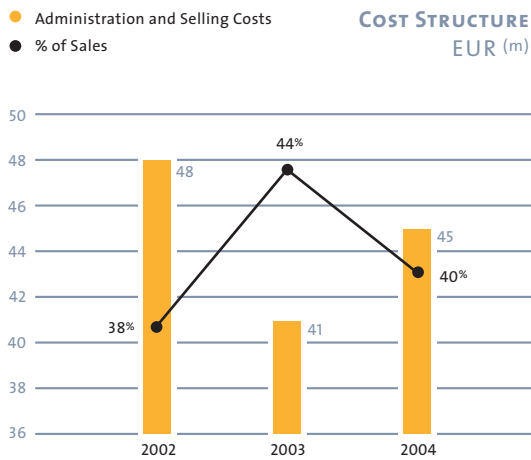
deferred tax assets amounting to EUR 9.4 million (2003: EUR 1.8 million) became effective in the earnings after tax. The valuation allowance reduced the deferred tax assets to a net amount that will more likely than not be realized, based on the Company's estimate of future earnings and the expected timing of temporary difference reversals. In case of future earnings, there would be only a very low tax ratio in the event of positive earnings.

Gross earnings and the gross profit margin, as crucial indicators of earnings power, changed in comparison with the previous year as follows:

- Gross earnings increased from EUR 36.4 million to EUR 45.9 million, primarily as a result of the growth in sales.

- The gross margin increased only slightly from 39 % to 41 %, primarily as a consequence of still flat learning curves (cost-reducing empirical values in production) in the Substrate Bonder product line and structural problems with the Device





effects. These costs essentially comprise an extraordinary write-off on tangible assets and consultancy fees for the restructuring project. Additionally, a calculated severance payment for the former Chairman of the Management Board is included in the administration and selling costs. If these amounts are excluded, the cost structure is essentially comparable with that of 2003, since increased costs in the year under review can then be attributed mainly to higher selling costs related to the increased sales.

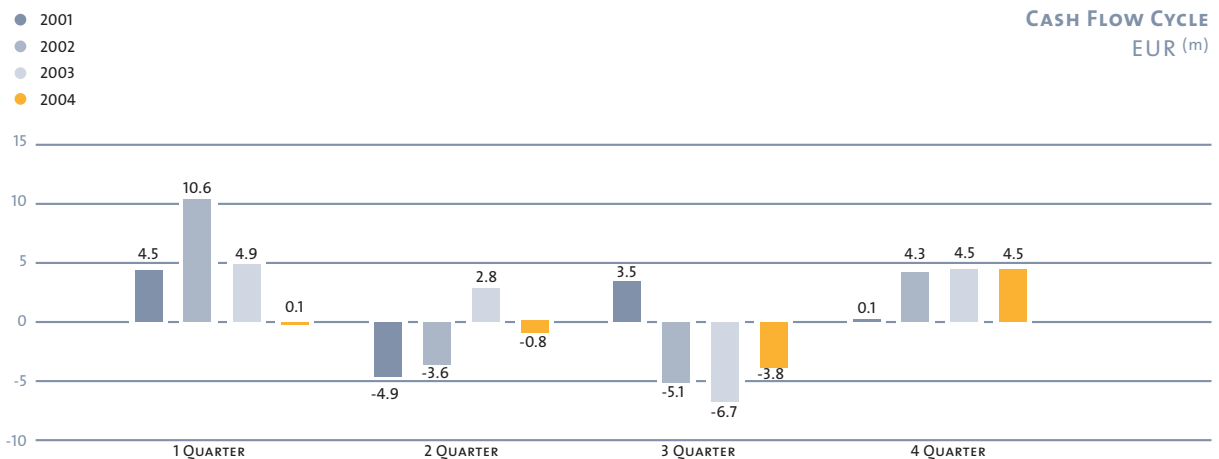
In the financial and other results, the increasing value of the euro led, as in the previous years, to book losses of EUR 1.2 million on internal US dollar loans. These book losses would lead to proportional book profits if the euro weakened again.

Based on the assumption of a US dollar exchange rate of USD 1.35 / EUR, our medium-term target margin is approximately 42 %. Once our restructuring has been completed, the long term target margin should recover stability at approximately 45 %.

In the area of administration and selling costs, restructuring costs of EUR 1.2 million must be taken into account as extraordinary

ASSETS AND FINANCIAL POSITION

In 2004 there was again a seasonally typical liquidity trend. In the first quarter, the higher sales from the preceding fourth quarter resulted in corresponding payments. Since the incoming payments of receivables were already relatively high in the last quarter of 2003, however, this effect was not so pronounced in the first quarter of the year under review. This can also be seen





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in the trend in days sales outstanding (DSO), which were highly positive at 67 days in 2003. For 2004, this figure returned to the more usual long-term figure of 69 days.

The course taken by operating cash flow followed the familiar internal cycles; at this juncture we shall again refer to the stocking-up process in the second and third quarters being followed by the reduction of inventories in the fourth quarter. Customer advances improved only slightly from EUR 2.7 million (2003) to EUR 3.4 million. We again expect to see no substantial positive effects from the increase in the customer advances ratio in 2005.

The working capital continues to fall short of our desired level and continues to tie up an excessive level of financial resources. As for the inventories, we were unable to achieve any substantial reduction, but thanks to the significant improvement in sales their coverage was reduced from approximately 270 days in 2003 to just over 220 days.

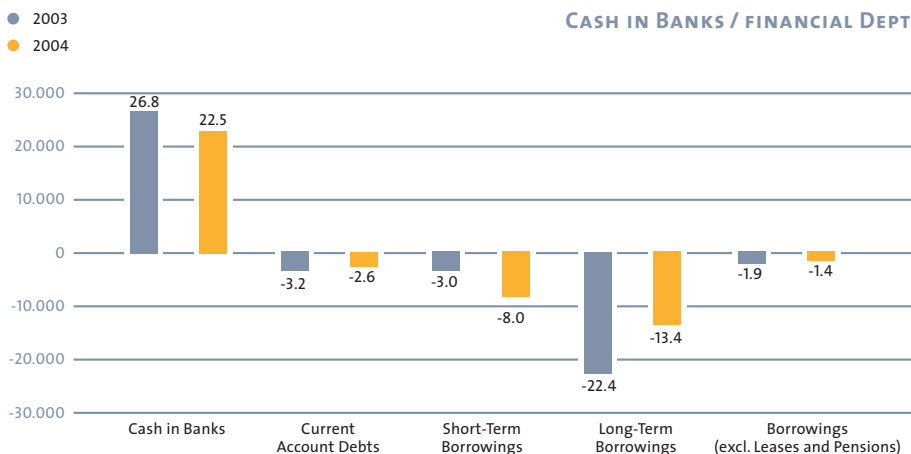
Compared with 2003, the assets side of the balance sheet – besides showing depreciation and amortization at well above the level of investment – decreased, primarily due to the value adjustment on deferred tax assets.

On the liabilities side, the loss led to a corresponding reduction in shareholders' equity. The primary positive effect is caused by the fact that the conversion of 200,000 shares from the convertible bond issue allocated approximately EUR 2 million to shareholders' equity.

The substantial increase in short-term obligations can be attributed to the following factors:

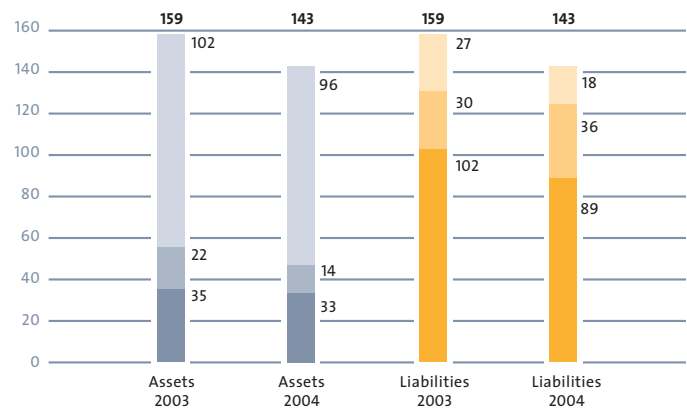
- The bulk of the restructuring costs of EUR 2.5 million will not be charged to outflows until 2005.
- The short-term liabilities comprise a calculated severance payment for the former Chairman of the Management Board.
- The first tranche amounting to EUR 5.6 million from the convertible bond issue must be repaid at the end of October 2005 if no conversion ensues. For that reason, this sum will be reclassified from the long-term to the short-term obligations.

The Group's balance sheet structure remains solid. At the end of 2004, the Group had cash and cash equivalents amounting to



GROUP BALANCE SHEET STRUCTURE
EUR (m)

- Current Assets
- Other Fixed Assets
- Intangible Assets
- Shareholders' Equity
- Short-Term Borrowed Capital
- Long-Term Borrowed Capital



EUR 22.5 million (previous year: EUR 26.8 million), compared with short-term bank obligations amounting to EUR 2.6 million (previous year: EUR 3.2 million).

In summary, a substantial improvement in the earnings position can be ascertained for 2004, thanks almost entirely to the growth in sales. The trend in the gross profit margin, however, is unsatisfactory, as ultimately no scale effects (declining balance of fixed costs) took effect. As a result, the unsatisfactory earnings trend in particular showed the necessity of the ongoing restructuring measures. With regard to the assets and financial position, the trend is basically in line with expectations, with the aforementioned lack of earnings power being reflected in an insufficient operating cash flow. The fact that capital commitment in the inventory area remains too high is another focal point of the restructuring. For 2005, however, no substantial reduction in inventories can yet be expected.

INVESTMENT

As in the previous year, the only investments made in 2004 were in urgently required office furniture replacements and equipment for the production segments. Investment in computers was an exception, with the most significant project being the instal-

lation of a CRM system. Total investment amounted to EUR 1.2 million in 2004, compared with EUR 1.0 million in the previous year.

At this juncture it is important to point out that investment activity is not a significant indicator of future prospects for our Company. This is shaped primarily by research and development activities.

THE HOLDING COMPANY – SUSS MicroTEC AG

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

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



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

Excluding extraordinary effects, SUSS MicroTec AG usually posts a net income for the year comprising earnings contributions from the investments and the financial results. The granting of internal loans and short-term financing arrangements give rise to corresponding interest income.

The parent Company's loans to and amounts due from associated companies changed, from EUR 43 million in 2003 to EUR 47 million in 2004.

In the financial statements of SUSS MicroTec AG, according to

German commercial law for the fiscal year 2004, extraordinary effects were responsible for the net loss for the year of EUR -3.4 million (previous year: -9.0 million):

- EUR 1.2 million in book losses on granted but not secured US dollar loans (this effect was also present in 2002 and 2003).
- EUR 0.5 million in consulting costs incurred within the restructuring process.
- EUR 2.2 million in write-downs of assets within the framework of restructuring and accruals, which also include the changes in the Management Board.

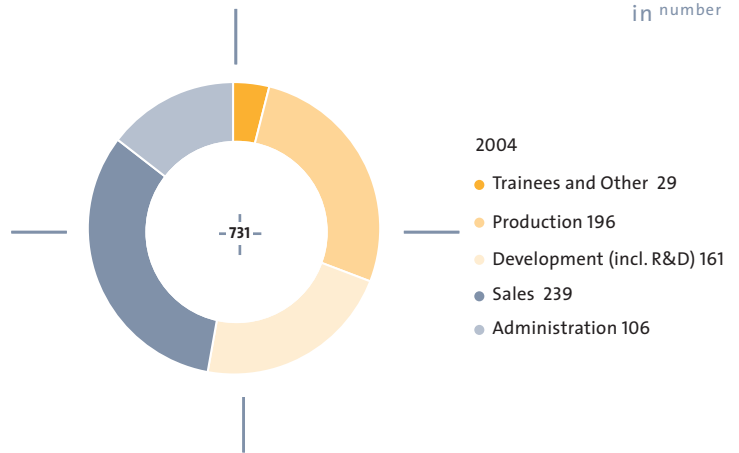
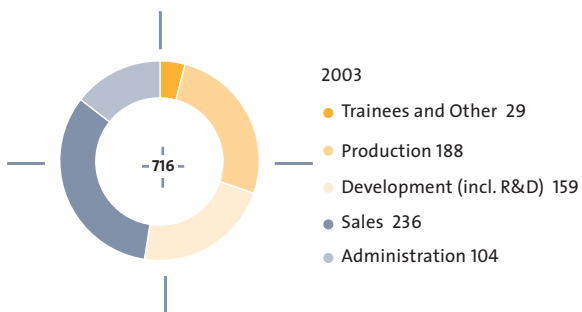
At the end of fiscal year 2004, 20 (previous year: 20) employees and two Management Board members were active in SUSS MicroTec AG.

The key financial ratios of the holding Company and the Group are shown below (TEUR):

	SMT AG (German Commercial Law)				Group (US-GAAP)			
	2004	2003	Change	in %	2004	2003	Change	in %
Net Loss for the Year	-3,417	-8,962	5,545	-62 %	-16,690	-14,553	-2,137	15 %
Shareholders' Equity	92,215	92,870	-655	-1 %	88,552	102,409	-13,857	-14 %
Balance Sheet Total	116,575	117,519	-944	-1 %	142,917	158,853	-15,936	-10 %
Capital Ratio in %	79 %	79 %			62 %	64 %		
Fixed Assets	84,562	81,065	3,497	4 %	46,669	56,774	-10,105	-18 %
% of Balance Sheet Total	73 %	69 %			33 %	36 %		
Current Assets*	32,013	36,454	-4,441	-12 %	96,248	102,079	-5,831	-6 %
% of Balance Sheet Total	27 %	31 %			67 %	64 %		

* including prepaid expenses

EMPLOYEES BY FUNCTION
in number



STAFF

Our employees and their knowledge make up a substantial part of our corporate value. The training periods, particularly in the technical area, are longer than one year because of the highly specific nature of the products. For that reason, a motivating environment and performance-related pay are basic prerequisites for the retention of existing staff members and the acquisition of skilled and qualified new recruits. When the trends by segment are shown, it becomes clear that the development and selling areas (particularly the sales engineers) constitute a significant element of the workforce.

At the end of 2004, 731 (previous year: 716) staff members were employed in the Group's individual companies. In the year under review there were no significant activities that would have led to an increase or reduction in the workforce. For that reason, there were also no significant changes in its structure compared with the previous year.

In the early summer of 2004, a comprehensive cost reduction project was initiated in response to the current trend. This also gave rise to the decision to close the plant in Aßlar during the course of 2005 and integrate its activities into the Garching plant

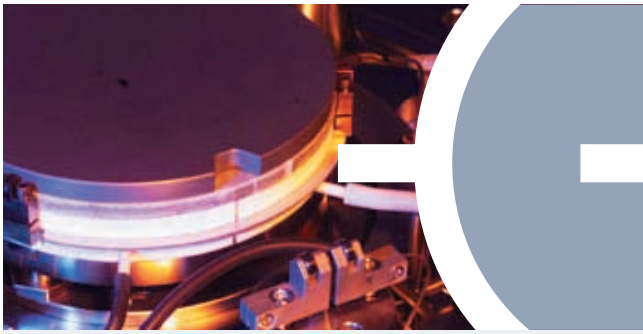
near Munich. As a consequence of this, staff numbers will be reduced by approximately 50, with the production and development areas most strongly affected.

Further adjustments that affect the personnel structure cannot be ruled out for the spring of 2005. The most crucial factor will be the trend in order entries, since the cost structure has to be adjusted to the trend in expected sales at correspondingly short notice. We are still endeavoring to make staff cutbacks as socially acceptable as possible and give assistance to the employees affected.

Another long-term goal of the restructuring is to create a stable regular workforce that can be offered far-reaching prospects within the SUSS MicroTec-Group.

RESEARCH AND DEVELOPMENT

The research and development activities are crucially significant for the ability of both existing and future products to meet future demands. They represent an investment in the future of our Company.



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Substantial development expenses continue to be incurred by all of the production lines. It is only through continuous development that our technological head start over the competitors can be maintained or even extended further. An appropriate proportion of our R&D activities is always related directly to customer orders, and as a result a proportion of R&D costs is included in the cost of sales. The absolute decrease in research and development costs can be attributed to large-scale projects in 2003, particularly in the Substrate Bonder segment.

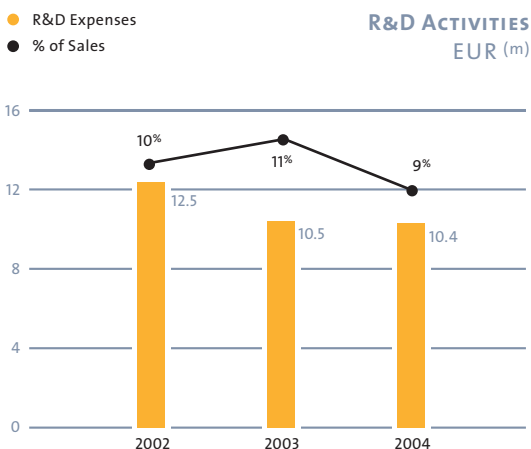
In 2004, the following significant projects for the existing product portfolio were focal points:

In the Mask Aligner product line, the most important for SUSS MicroTec, a far-reaching product renewal was initiated which has ultimately led to the new "MA compact" product family. As the name indicates, this will comprise production machines of maximum integration density with a design that minimizes the required installation space. In light of the high

infrastructure costs of the clean rooms in the semiconductor factories – the "fabs" – this is an important feature. Thanks to intelligent temperature compensation and new imaging techniques, this generation of machines continues to show greater alignment precision. It has also been equipped with the new control technology and software of the "flagship" MA300Plus. The first machine of this type will be delivered in early 2005.

Spin Coater: The spray coating procedure brought to maturity by SUSS MicroTec is first choice for the coating of wafers with a pronounced 3D structure featuring "mountains and valleys." In 2004, following meticulous basic development within the Company, the procedure was enhanced for production machines with high throughput and these new machines were launched on the market successfully.

Substrate Bonder: The bonder technology for the treatment of plasmas that was developed in the previous year was improved for utilization with structured wafers and finally introduced successfully into bonder clusters for production. These production machines combine automatic adjustment in the sub-micron area with wafer-friendly low-temperature bonding. This integrated plasma treatment method, while being gentle ultimately leads to wafer pairs that show the desired high level of bond strength. This technology opens up new possibilities, particularly for the packaging of complex MEMS systems. In addition to a "classic" bonder, a completely new generation of high-pressure bonders was developed. At temperatures up to more than 400° C, two individually processed wafers are bonded mechanically and electrically by pressure of more than five tons, with the help of the mirror-inverted application of copper surfaces. The future of this so-called Cu:Cu bonding procedure will lie in the 3D integration of circuits.



In the Test Systems segment, the “MFI Probe System” was brought to market maturity. This is a contact system involving ultra-fine probe heads which are produced by nanotechnology and are used for electrical measurements. This system is capable of touching structures measuring 130 nm with certainty. In addition, the touch-free version of this testing device was enhanced to such an extent that the first successful measurements on customers’ chips became possible. As a result, the system is ready for a market launch in 2005. For the rapidly expanding light emitting diodes (LED) market, we brought to maturity a cost-effective high-speed tester that can implement up to ten contacts per second.

In the nanotechnology segment, particularly great advancements were made. Since March 2004, SUSS MicroTec has been the largest industrial partner of the project “Emerging Nanopatterning Methods” (NaPa), which is funded within the new framework program 6 of the European Union. Over a period of four years, SUSS MicroTec is going to commit itself to this project with approximately EUR 2.7 million and be funded accordingly. The first product to be developed with proportionate funding from the EU in 2004 was the almost universally deployable nano-stepper NPS, which will be ready for delivery in the spring of this year. With this high-precision machine, process developers will have the advantage of a flexible basis for the optimization of future production processes for nanolithography.

In addition, the joint project with IBM, referred to in abbreviated form as C4NP, is also playing an important role. In this project, which is carried out in parallel at several SUSS MicroTec sites, the development of the new machine generation for the IBM-licensed C4NP procedure was started.

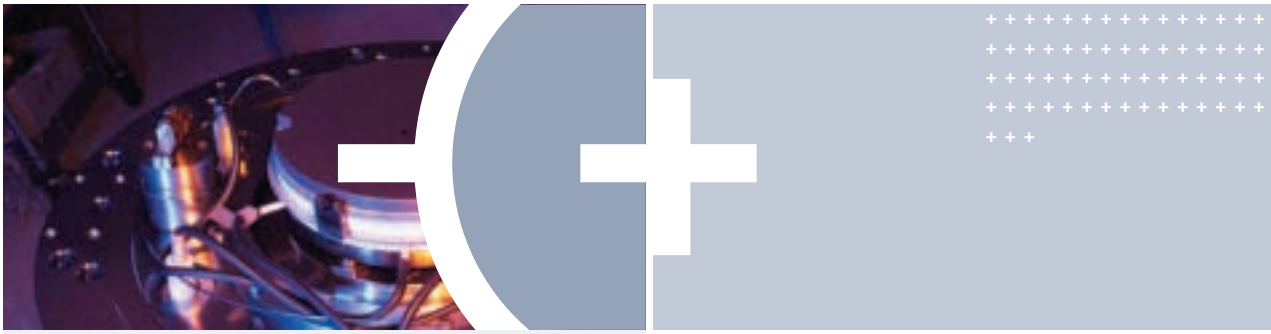
To deploy this highly promising procedure, a chip manufacturer requires a line of production equipment which consists of three

machines: Firstly, a mold fill tool fills many tightly spaced small depressions in a base plate with the lead-free solder. Secondly, after filling, the success of this procedure is checked with a mold inspection tool by means of electronic image processing. Finally, the solder transfer tool is a machine, similar to a bonder, which aligns the wafer and the filled base plate to each other precisely and brings them into contact. Then, at an increased temperature, the solder is precisely transferred within this machine to the wafer's contact surfaces. This “production line” will be given a trial run in 2005.

R+D STRATEGY

Last year the main emphasis was on bringing new developments to the customers quickly and making them positive contributors to sales within the same brief period. In view of the market situation, several special developments for 2004 were already taken on as orders in 2003, particularly in the Bonder segment, thereby ultimately expanding the SUSS MicroTec-Group’s bonder-related know-how. In the Bonder production segment in particular, SUSS MicroTec has real opportunities for growth as we have been under-represented in the segment to date. As the above list of new developments clearly shows, medium-term and long-term innovations were given substantial extra emphasis in 2004. The reason was that in 2003 and 2004, very large semiconductor manufacturers approached SUSS MicroTec with highly specific projects for the future.

In view of the increase in innovation activities, staff numbers in the R&D division remained almost constant throughout the year and totaled 103 at year-end; in other words, they were hardly affected by the measures to reduce the workforce. This also shows the unchanged nature of the SUSS MicroTec-Group’s growth-oriented strategy, which demands that the core of all innovations – the knowledge and experience of scientists and engineers – be retained.



GROUP MANAGEMENT REPORT

MARKETING AND SALES

Our marketing activities are concentrated primarily on specialist trade fairs and trade journals that appeal predominantly to our target Group. This means that our most important trade fairs are the annual fairs held by the SEMI association (SEMI = Semiconductor Equipment and Materials International) in the US, Asia and Europe. We also participate in other trade fairs that are particularly suited to special product lines in our portfolio.

One special measure in 2004 was the marketing of the C4NP development project that was run jointly with IBM. To promote it, ads and articles were placed in various trade journals. In addition, trade journals are being peppered constantly with ads and articles dealing with the core markets. Events are also being staged for customers, for example on the subject of advanced packaging, particularly within the framework of the SECAP consortium. Consortia and similar amalgamations are a pillar of our commercial network; you can find out more about this aspect in our image section.

The sales and marketing activities are carried out primarily in the dense global network of account managers, sales engineers and service staff. More than 30 % of our employees work in these areas. This can be explained primarily by the technical complexity of our products and the service requirements of production customers. That is why there are competence centers for the most important product lines at all of the significant SUSS MicroTec sites, where customers can contact specialists at short notice in both the offer and post-sale service phases.

ENVIRONMENT

In principle, the Company's production plants do not generate substantial quantities of environmentally harmful substances. As a result, the largest environmental burden for which we are responsible is the energy consumption brought about by our commercial activities. In this area, the contribution we are making is characterized particularly by the sensitization of our workforce to the responsible and economical handling of resources. In addition to environmental conservation, this also results in cost reduction.

The most significant contribution that we are making to a more environmentally friendly future is our joint project with IBM (C4NP), in which we aim to provide a lead-free method in chip bonding technology. Lead is highly toxic and cannot be broken down. Many electronic consumer goods contain lead components and, particularly among private consumers, not all of them are disposed of properly; mobile telephones are one example of this. If the manufacturing technology that we are currently developing is applied, products like that could be lead-free in the future and, at least in respect of their disposal, protect the environment from further pollution. For that reason, we believe that C4NP not only offers a very good opportunity for greatly expanding our sales volume, but will also make a crucial contribution to the protection of the environment for present and future generations.

RISKS FOR THE FURTHER DEVELOPMENT OF BUSINESS

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

GENERAL COMMERCIAL RISKS AND INDUSTRY RISKS

Political Framework

In addition to the continuing potential for conflict in the Middle East, the tensions between China and Taiwan could have a considerable impact on the course of business in 2005. Although risks are also inherent in the embargo policy pursued by several Asian countries, affecting special customers of the Group, the scale of these risks is considerably smaller.

Cyclical Market Fluctuations and Market Trend

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

Market Position

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

Dependency on Individual “Know-How Carriers”

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

OPERATING RISKS

Assets and Earnings Position

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

Pressure on Prices and Exchange Rate Trend

The current market environment continues to be determined by increased downward pressure on prices. This creates the risk that, even if markets recover, original target sale prices can no longer be attained. We counter this risk by pursuing a steady pricing policy, waiving orders if the terms are unattractive, so that we can guarantee customers consistent prices when the markets recover. Less easy to control are effects resulting from the current rapid decline in the value of the US dollar, in particular, since transactions in that currency zone are usually conducted at an unchanged US dollar price. We have already reacted to this and will continue to increase the proportion of value-added posted in the US. This, however, cannot be done at a speed that matches the exchange rate movements. A fundamental risk could be inherent in the further long-term strengthening of the euro against the US dollar and the Japanese yen, as after a certain point the prevailing shares of value-added would no longer be optimal for earnings. We usually compensate for short-term fluctuations by engaging in hedging transactions. The safeguarding of the currency has now been extended from 6 to 12 months for 2005, with only a partial amount being safeguarded on principle. This is due to the unforeseeable nature of the course of business in this sector.



GROUP MANAGEMENT REPORT

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

We are expecting the framework conditions for the provision of outside capital to change, particularly as a result of the introduction of "Basel II." The minimization of dependency on outside capital, particularly short-term capital, ought to keep potential financing risks low. We counter this risk primarily by endeavoring to keep the proportion of outside capital low with appropriate cash flows, also ensuing from the optimization of working capital. The risk of changes in interest rates is limited, since the most important outside capital items are based on loan amounts with fixed interest rates. The credit lines that are available to the Company are regarded as important parameters in the event of credit assessments by potential customers. If the Company does not manage to agree on a new credit line with a scope similar to that of its predecessor after April 30, 2005, there is a risk that future customer orders can be lost.

Legal Risks, Especially Liability Risks

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

Overall Risk

No risks that endanger the continued existence of the Group were identified in the fiscal year 2004. Its continued existence was not endangered at any time from the point of view of substance or liquidity. The current capital reserves available were far in excess of the risk-adjusted capital (i.e. the capital ratio) that must at least be available to cover potential losses.

RISK MANAGEMENT SYSTEM

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

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

Organization and Documentation of Risk Management

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

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

Risk Identification

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

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

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

Risk Assessment

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

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

Handling Risks

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

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

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

Since digital signals are making it more difficult to assess the current situation (digital in the sense of highly positive signals being countered by highly negative ones), making a forecast for 2005 remains problematic.

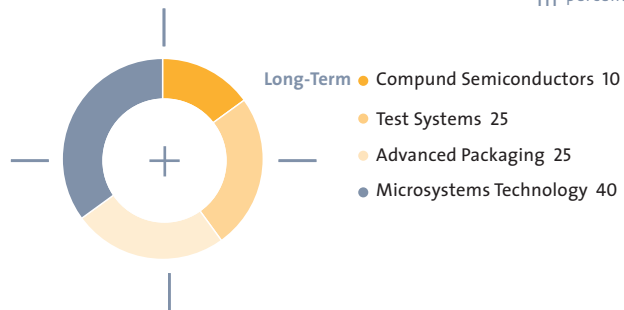
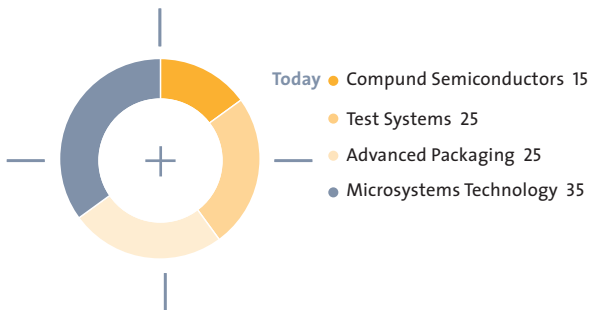
Positive signals include more order entries than at the beginning of last year and a stabilization of the orders position since the second quarter of 2004. The sales pipeline, in which every possible order of a substantial nature is tracked, is also showing sufficient potential for a stable orders trend in 2005. Negative signals include the cautious outlook for the sector and associated effects on sentiment among our customers.

In the future, the most important segment within the advanced packaging field will be memory chips (D-RAM). Although current D-RAM production still uses only traditional packaging techniques, this market will also become more and more attuned to the benefits of advanced packaging. In the production of D-RAM chips with the new 300mm wafer formats in particular, we are



GROUP MANAGEMENT REPORT

MARKETS' EXPECTED SHARES OF SUSS MICROTEC TOTAL SALES
in percent



not expecting the D-RAM manufacturers to make any noteworthy investments in this technology until 2005 and 2006. In these markets the year under review was highly successful, and consequently we are aiming to reach the 2004 figures in 2005.

The compound semiconductors segment is influenced principally by telecommunications applications. In 1999 and 2000 there was considerable overinvestment in this area, particularly in optical data networks. This overcapacity in the production facilities of optical transmission element manufacturers still prevails. Our assessment of this segment remains pessimistic. The LED and laser diode production area is developing positively, with further growth potential in 2005. The overall expectations for this market in 2005, however, are highly cautious.

Microsystems technology is distinguished from the other areas by its considerably greater diversification in both the products themselves and the manufacturers of those products. In contrast to the microchip, which is usually produced extremely cost-effectively in large numbers, the numbers of microsystems manufactured are considerably smaller and the diversity of variants substantially greater. This means that microsystems technology is not dependent on individual ultimate markets, instead it is

influenced by the overall economic situation and the investment climate. At present, the strongest momentum for microsystems technology is coming from the automobile industry and peripheral computer devices (e.g. inkjet printers and projector displays). But other ultimate markets such as environmental sensors, biotechnologies, the chemicals industry and the new nanotechnologies are offering new product opportunities for microsystems technology. In 2005, and in the subsequent years too, these widely diversified markets offer the greatest potential.

For SUSS MicroTec, the test systems product line is historically far less dependent on the semiconductor cycles. This is because, here, it is not production equipment but rather equipment for applications in the analytical field of development or fault analysis which is offered. Sales in this area were highly stable in recent years, and in 2005 we again expect sales to remain around the level from 2004.

The market launch of the C4NP project, which was developed jointly with IBM, might come to exert special influence. The target prices for these devices are substantially higher than those of our existing portfolio, therefore, even a small number of orders would lead to a considerable increase in Group sales. In 2005,

however, the required developments will be the focus of attention. Relevant orders cannot be expected until 2006, although it is certainly possible that 2005 will bring the first order and perhaps the first recognition of sales once it attains customer acceptance. Should C4NP establish itself on the market, the sales volume of the SUSS MicroTec-Group would show a substantial structural increase. In addition, the proportion of aggregate Group sales accounted for by advanced packaging would exceed by far the planned 25 %.

Among the regions, we expect North America and Europe each to remain at similar levels around 30 % both for 2005 and in the long term, Asia is expected to remain the strongest region.

In overall terms, the semiconductor industry is developing increasingly into a “mature” industry. Its growth rates will no longer keep up with those of the past.

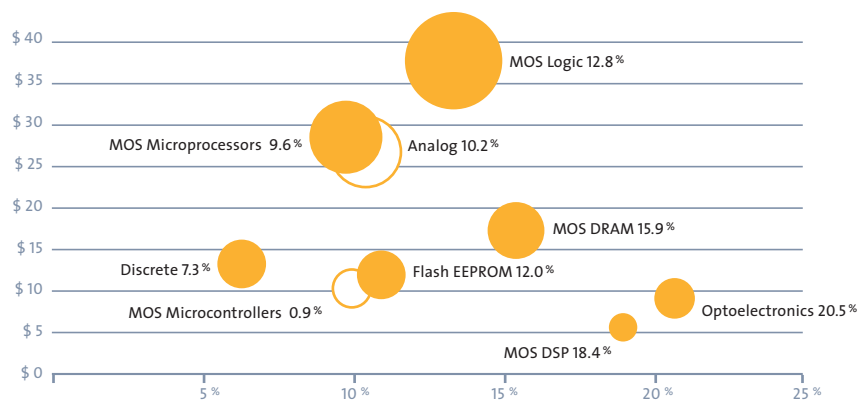
The highest growth rates in investment have been based on so-called killer applications: the triumphant march of the PC in the 1970s and 1980s and the Internet in the 1990s. Predicted as the next investment success in this example is the omnipresent

network through which, for example, a mobile connection can be set up. The largest markets are expected to achieve future growth rates of less than 20 % (source: SIA).

We are assuming that our own long-term growth rate in our core areas of business will settle at around 10 % to 15 %, which, although far higher than overall economic growth rates, this falls short of earlier rates. Special areas with greater growth potential for SUSS MicroTec are LEDs in the compound semiconductors segment (see optoelectronics) and DLP (tilting mirror technology for projection TV) in the microsystems technology segment. The greatest potential resides in C4NP, although it will not be possible to make any reliable statements on this until later in 2005. While the LED and DLP areas are again generating proportions of Group sales in 2005, having already done so in 2004, this is not yet the case with C4NP.

It is also possible that, in the future, our industry will no longer show the strong volatility that characterized it in the past. This will increase planning security and improve the quality of strategic decisions. This change can be attributed to a shift in ultimate customers that has developed over the years.

GROWTH BY CATEGORY
Compound Annual Growth Rate 2003 – 2007 in %





GROUP MANAGEMENT REPORT

The ultimate customer is becoming more and more significant for the semiconductor industry, and the fluctuations in this consumer Group are usually substantially smaller than those affecting industrial customers.

In summary, we expect to see the following trends in our market environment:

- long-term growth reduced to around 10 % – 15 %
- greater potential in the LED, DLP and C4NP areas
- decreasing volatility

On the basis of these general conditions, we will structure ourselves in such a way that an adequate earnings performance can be achieved in the long term.

In the current fiscal year 2005, the overriding goal will be the improvement of our cost structure. A number of projects aimed at reducing our costs will have a positive impact before the end of 2005. At present, the greatest potential is also the greatest challenge: the integration of production at the Aßlar site into the Garching site near Munich.

Further measures to reduce the break-even threshold will be introduced mainly during the next few months. The goal of achieving break-even earnings with sales of approximately EUR 100 million from 2007 onwards will be pursued further and, depending on the development of our markets, adjusted to requirements if necessary. The successful implementation of necessary cost reduction measures is of fundamental significance for the Company's sustained profitability and the value of its most significant assets. The long-term objective is to render the Company capable of posting stable margins of circa 45 %. It is intended that the EBIT margin should be well in excess of 10 % during cyclical upturns.

As a result of this cost reduction strategy, staff numbers in the Group can be expected to decrease to approximately 650 in the current year. The extent to which the lowering of the break-even threshold will require further reductions in the workforce cannot yet be ascertained conclusively.

With regard to cash flow, it can be assumed that a substantial cash outflow will be incurred as early as the first quarter of 2005 due to the social compensation plan for Aßlar and the severance payment for Dr. Richter. Therefore, there are no plans for a significantly positive cash flow – as would be typical for our business cycle – in the first quarter. In the third quarter, the first tranche of the convertible bond issue amounting to EUR 5.6 million will be due for redemption. We are currently planning for their repayment, since our current stock price is too far removed from a possible conversion price. Liquid cash resources will therefore decrease substantially in 2005 if no significant positive cash flow is generated by operating activities. The future objective is for sufficient liquidity to be generated by surplus operating cash flows and a reduction in working capital (with reduced inventories as the focal point) to keep outside capital requirements for current business activities and organic growth low on the basis of stable liquid cash resources.

In 2005 there will also be a change in the accounting system. As scheduled, we will publish the Group's financial statements in accordance with the IFRS rules, thereby discontinuing our reporting according to US-GAAP. From a current perspective, we believe that this will – amongst others – lead to the following substantive changes compared with the previous method:

- The research and development activities will be partly capitalized and amortized over the planned useful life (at present all of the costs associated with these activities are charged to expenses). This change is closer to our own approach, accor-

ding to which our research and development activities are “investments” in the future and hereafter part of them will also be reported as investments.

- Goodwill will show fluctuating amounts in the future (currently stable at EUR 28 million). Although IFRS also provides for no scheduled goodwill amortizations, the goodwill is revalued in its own currency directly on the reporting date. As a result of this, some goodwill items that are based on US dollars will be exposed to fluctuations in the future. Under US-GAAP, this revaluation is carried out indirectly via shareholders’ equity, with goodwill remaining the same.
- The reporting by segment will be more detailed than before. We will, as scheduled, report primarily on four segments that are oriented towards the product lines. Our reporting by region will be secondary.

All in all, we regard these changes as positive, considering that the information basis for investors and other interested parties will be broadened – a measure that is certainly to be welcomed.

SUSS MicroTec will continue to follow the strategy of occupying lucrative niches in the semiconductor equipment supplier industry. We want our clear positions to keep us constantly within the top three suppliers in the relevant markets. Our partnerships with leading institutes and companies in the industry are designed to ensure that significant trends and promising technologies are always recognized early and examined for their potential for SUSS MicroTec. These activities will be geared primarily towards organic growth; external growth will be considered only in the event of interesting technologies or useful complementary products.

FORWARD-LOOKING STATEMENTS

All of the declarations contained in this Management Report that do not describe historical facts are forward-looking statements as defined by the US Private Securities Litigation Reform Act, 1995. Words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “should,” “may,” “can,” “will” and “plan” and other similar terms used in relation to the Company are intended to denote such forward-looking statements. The Company does not assume any obligation to the public to update or correct forward-looking statements. All forward-looking statements are subject to various risks and uncertainties, as a result of which the figures actually achieved can deviate from the expectations. The forward-looking statements reflect the standpoint that prevailed at the time they were made.

Garching, March 15, 2005

The Management Board

Dr. Stefan Schneidewind

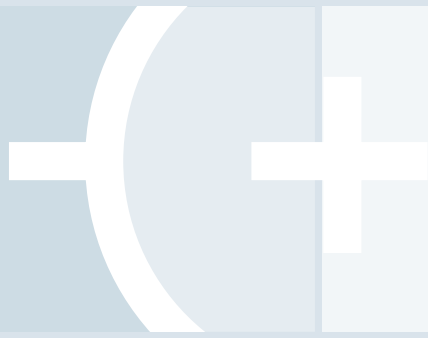
Stephan Schulak

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

TEUR	Note	01/01-31/12/2004	01/01-31/12/2003
Sales	VI.4	115,972	95,500
Freight and Commissions		-3,105	-2,885
Net sales		112,867	92,615
Cost of goods sold		66,963	56,168
Gross profit		45,904	36,447
Administration and selling costs		-44,602	-40,985
Research and development costs		-10,371	-10,496
Other operating expenses and income	V.1	1,466	859
Foreign currency exchange gains and losses		-1,217	-2,916
Net income from operations		-8,820	-17,091
Interest expenses		-1,520	-1,245
Interest income		383	358
Minority interest		-11	24
Income before taxes		-9,968	-17,954
Income taxes	V.2	-6,722	3,401
Net loss		-16,690	-14,553
Earnings before Interest and Taxes (EBIT)*		-8,831	-17,067
Earnings before Interest and Taxes. Depreciation and Amortization (EBITDA)*		-3,224	-10,996
Per share	IV.6		
Basic earnings per share in EUR		-1.10	-0.97
Diluted earnings per share in EUR		-1.10	-0.97
Transition to Comprehensive income			
Net loss		-16,690	-14,553
Other comprehensive income after tax			
Differences in foreign currency translation		47	-2,255
Additional minimum liability		17	-14
Unrealized gain on securities		-35	47
Comprehensive Income		-16,661	-16,775

* unaudited

The accompanying notes are an integral part of the financial statements.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS

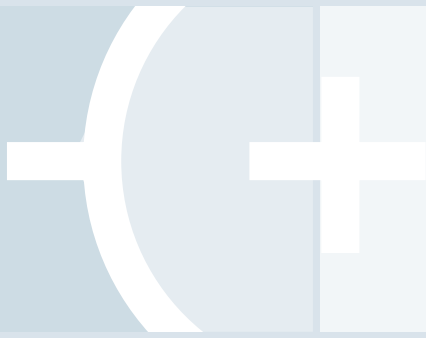
TEUR	Note	12/31/2004	12/31/2003
Cash and cash equivalents		22,534	26,785
Accounts receivable, net	III.3	27,093	23,606
Other receivables and assets	III.4	2,742	6,603
Inventories, net	III.5	41,245	41,900
Prepaid expenses	III.6	1,079	1,094
Deferred tax assets current	V.2	1,555	2,091
Total current assets		96,248	102,079
Tangible assets	III.7	9,023	11,935
Intangible assets	III.8	5,355	7,305
Goodwill	III.8	28,009	28,009
Investments in subsidiaries	III.9	55	144
Deferred tax assets long-term	V.2	2,374	7,480
Other long-term assets	III.10	1,853	1,901
Total long-term assets		46,669	56,774
Total assets		142,917	158,853

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY

TEUR	Note	12/31/2004	12/31/2003
Current bank liabilities	IV.1	2,550	3,154
Current lease obligations	IV.2	137	158
Accounts payable		5,676	5,972
Current portion of pension liabilities	IV.3	255	214
Current portion of long-term debt	IV.1	7,982	2,991
Other current liabilities	IV.4	19,879	16,929
Total current liabilities		36,479	29,418
Long-term debt	IV.1	13,417	22,423
Leasing obligations	IV.2	388	473
Pension liabilities	IV.3	3,385	3,581
Deferred tax liabilities long-term		224	0
Other long-term liabilities	IV.5	430	517
Minority interest on consolidated subsidiaries		42	32
Total long-term liabilities		17,886	27,026
Common stock			
Common stock EUR 1.00 par value 22,635 thousand shares authorized Dec 31, 2004, and common stock EUR 1.00 par value 22,423 thousand shares authorized Dec 31, 2003, respectively; 15,157 thousand shares issued and outstanding Dec 31, 2004 and 14,957 thousand shares issued and outstanding Dec 31, 2003, respectively		15,157	14,957
Additional paid-in capital		84,165	81,561
Appropriated retained earnings		433	433
Retained earnings (current year and brought forward)		-5,606	11,084
Cumulative other comprehensive income	IV.6	-5,597	-5,626
Total shareholders' equity		88,552	102,409
Total liabilities & shareholders' equity		142,917	158,853

The accompanying notes are an integral part of the financial statements.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

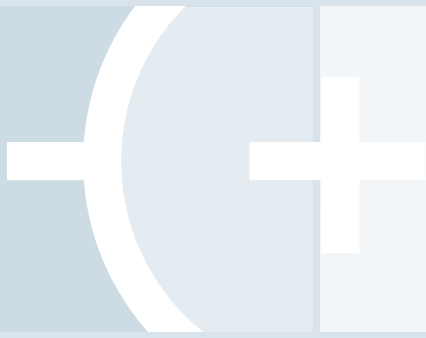
TEUR	01/01-12/31/2004	01/01-12/31/2003
Cash Flow from operating activities		
Net loss	-16,690	-14,553
Adjustments to net assets (shortterm) caused by exchange-rate fluctuations	757	134
Adjustments to reconcile net loss to net cash provided by operating activities		
Non-cash stock based compensation	750	650
Amortization of intangible assets	1,855	1,965
Decrease of investments in subsidiaries caused by change in consolidation	89	0
Depreciation of tangible assets	3,462	3,784
Amortization of leased assets	290	322
Change of deferred tax assets	5,642	-1,271
Change of deferred tax liabilities	224	0
Loss / Gain on disposal of assets	65	551
Loss / Gain on investments	0	4
Change of reserves for bad debts	-417	333
Change of reserves on inventory	763	337
Changes in assets and liabilities		
Change in accounts receivable	-3,070	10,166
Change in inventories	-108	5,825
Change in prepaid expenses	15	366
Change in other assets	3,909	2,685
Change in accounts payable	-296	2,038
Change in other liabilities, provisions and deferred income	2,960	-7,503
Change in pension liabilities	-155	-8
Change in other long-term liabilities	-87	-238
= Cash Flow from operating activities	-42	5,587

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	01/01-12/31/2004	01/01-12/31/2003
Cash Flow from investing activities		
Payments in tangible assets	-1,239	-1,010
Payments in intangible assets	-7	-10
Proceeds from disposal of tangible and financial assets	32	3
Cash Flow from investing activities	-1,214	-1,017
Cash Flow from financing activities		
Proceeds from issuance of a convertible bond	0	11,642
Debt Issue Costs	0	-502
Increase of bank loans	1,250	0
Repayment of bank loans	-3,211	-4,275
Change of current bank liabilities	-604	-377
Finance-lease payments	-106	-257
Cash Flow from financing activities	-2,671	6,231
Net Change in cash	-3,927	10,801
Adjustments to funds caused by exchange-rate fluctuations	-324	-930
Funds at beginning of the year	26,785	16,914
Funds at end of the period	22,534	26,785
Supplemental cash flow information		
Interest paid during the period	1,405	773
Income taxes refund / paid during the period including prepayments	-1,830	3,767
Disclosure of other non-cash activities		
Increase of tangible assets under capital lease	94	0

The accompanying notes are an integral part of the financial statements.



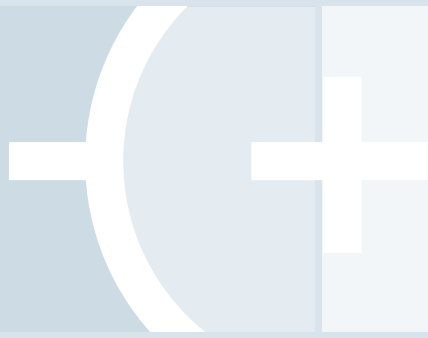
CONSOLIDATED FINANCIAL STATEMENTS

FIXED ASSET MOVEMENT SCHEDULE

	Acquisition or Production costs				12/31/2004
	01/01/2004	Translation adjustment	Additions	Disposals	
I. Intangible Assets					
1. Concessions, intellectual property rights and similar rights and assets as well as licenses to such rights and assets	14,592	-203	7	9	14,387
2. Goodwill	40,581	0	0	0	40,581
	55,173	-203	7	9	54,968
II. Tangible Fixed Assets					
1. Buildings and land	7,544	-126	52	70	7,400
2. Technical equipment and machinery	9,537	-549	216	65	9,139
3. Other equipment, office and plant furnishings	12,783	-108	834	421	13,088
4. Motor vehicles	577	-6	43	73	541
5. Capitalized leased property					
Buildings and land	600	0	32	0	632
Technical equipment and machinery	880	-6	0	0	874
Other equipment, office and plant furnishings	1,464	-65	62	50	1,411
	33,385	-860	1,239	679	33,085
III. Financial Assets					
1. Investments in associated companies, at equity	2,183	0	0	89	2,094
2. Other investments	202	0	0	0	202
	2,385	0	0	89	2,296
	90,943	-1,063	1,246	777	90,349

The accompanying notes are an integral part of the financial statements.

	Amortization/ Depreciation				Net book value		
	01/01/2004	Translation adjustment	Additions	Disposals	12/31/2004	01/01/2004	12/31/2004
	7,287	-101	1,855	9	9,032	7,305	5,355
	12,572	0	0	0	12,572	28,009	28,009
	19,859	-101	1,855	9	21,604	35,314	33,364
	3,391	-84	515	27	3,795	4,153	3,605
	5,963	-334	1,252	58	6,823	3,574	2,316
	9,475	-87	1,655	374	10,669	3,308	2,419
	538	-6	40	73	499	39	42
	246	0	70	0	316	354	316
	648	-3	68	0	713	232	161
	1,189	-44	152	50	1,247	275	164
	21,450	-558	3,752	582	24,062	11,935	9,023
	2,073	0	0	0	2,073	110	21
	168	0	0	0	168	34	34
	2,241	0	0	0	2,241	144	55
	43,550	-659	5,607	591	47,907	47,393	42,442



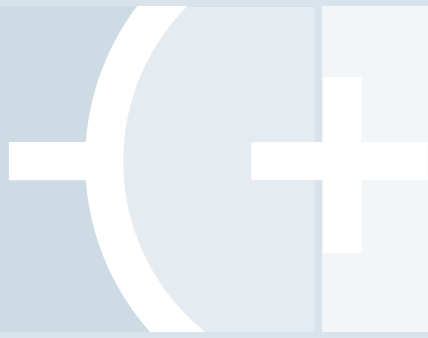
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

TEUR	Number of shares (in thousands)	Common stock	Additional paid-in capital	
As of 01 January 2003	14,957	14,957	80,911	
Issuance of subscription rights			650	
Annual net loss				
Foreign currency adjustment				
Additional minimum pension liabilities, net of tax				
Unrealized Gain from securities				
As of 31 December 2003	14,957	14,957	81,561	
As of 01 January 2004	14,957	14,957	81,561	
Conversion of convertible debt into Common stock	200	200		
Proceeds from conversion of convertible debt			1,854	
Issuance of subscription rights			750	
Annual net loss				
Foreign currency adjustment				
Additional minimum pension liabilities, net of tax				
Unrealized Loss from securities				
As of 31 December 2004	15,157	15,157	84,165	

The accompanying notes are an integral part of the financial statements.

	Earnings reserve	Retained Earnings	Accumulated other Comprehensive Income	Total
	433	25,637	-3,404	118,534
				650
		-14,553		-14,553
			-2,255	-2,255
			-14	-14
			47	47
	433	11,084	-5,626	102,409
	433	11,084	-5,626	102,409
				200
				1,854
				750
		-16,690		-16,690
			47	47
			17	17
			-35	-35
	433	-5,606	-5,597	88,552



CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2004

I. DESCRIPTION OF BUSINESS ACTIVITY

Süss MicroTec AG ("SMT" or the "Company") was formed as a result of the reorganization of Karl Süss Verwaltungs GmbH. The Company operates on an international level and deals in products from the areas of micro-systems technology and micro-electronics. Production is concentrated at the sites of Garching, Sacka and Vaihingen (Germany), Waterbury and Palo Alto (USA), and Saint Jeoire (France). The site of Aßlar, Germany, is used principally as an extended workshop (separate site for assembly services). The products are distributed both from the production sites as well as from independent sales companies situated in the United Kingdom, Japan, Thailand, Taiwan and China. In countries where the Company is not itself represented, sales are handled via sales agencies.

II. SUMMARY OF THE RELEVANT ACCOUNTING PRINCIPLES

II.1 BASIS OF REPRESENTATION

The Company has been listed on the regulated market of the Frankfurt Stock Exchange since 18 May 1999 and is member of the Tec DAX in the Prime segment of the Deutsche Börse AG.

The present Consolidated Financial Statements were prepared in accordance with the generally accepted accounting principles (US-GAAP) recognized in the US.

Pursuant to §292a of the Germany Commercial Code (Handelsgesetzbuch; hereinafter "HGB"), the Company is thus not required to prepare its Consolidated Financial Statements in accordance with the provisions of §§290 et seq. of the HGB. The Group Management Report was prepared in accordance with the provisions of § 315 (1) et seq. of the HGB.

All figures are in thousand EURO, unless otherwise stated.

II.2 ESSENTIAL DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES UNDER GERMAN COMMERCIAL LAW AND US-GAAP

The primary difference between German GAAP and US GAAP is based on the different concepts. Whilst US-GAAP emphasizes on providing all relevant information to investors in order to facilitate future investment decisions, German GAAP is oriented towards the protection of creditors and emphasizes a prudence concept. The following is a summary of the essential differences between US-GAAP and the generally accepted accounting principles under German commercial law, which is of particular relevance to the Company:

Financial Statement Presentation

The Balance Sheet presentation under US-GAAP is based on the planned realization of assets and the maturity of liabilities in the normal course of business. Under German GAAP, the presentation principally follows HGB Section 266, and is based on the Company's planned holding time for the respective asset, liability or equity.

Tangible Fixed Assets

In the Consolidated Financial Statements according to US-GAAP moveable assets are depreciated on a straight line basis, whereas according to the German accounting principles, taking into account the relevant tax provisions, depreciation also takes place on a reducing-balance basis.

According to US-GAAP, leased land, buildings and operational equipment are carried as assets if certain criteria are met. Depreciation takes place over the useful life of the item or over the period of the leasing contract, whichever is the shorter. The payment obligations arising from leasing payments are carried as liabilities. According to German accounting standards, fixed assets are treated similarly in accounting practice, although the criteria to be fulfilled are different.

Goodwill

In US-GAAP, Goodwill is not amortized any more since Jan 1, 2002 but subject to an impairment test that has to be performed at least on a yearly basis. Following German commercial code, Goodwill is still amortized over the expected useful lifetime of not more than 15 years. An impairment test is only performed in the case of an event or change in circumstances that may indicate devaluation.

Deferred Taxes

In accordance with German accounting standards, deferred taxes which arise from tax loss carry-forwards are not recognized. Deferred tax assets resulting solely from the valuation differences between commercial law and tax law may be recognized. A provision for deferred tax liabilities must be set up.

According to US-GAAP, there is an obligation to record deferred tax assets, regardless of their origin, and an obligation to record deferred tax liabilities. With regard to reporting as short-term and long term, these deferred items follow the classification of those items, which gave rise to the valuation differences. Deferred tax assets are investigated with regard to whether recognition of the item is probable, and if necessary, an appropriate devaluation is made.

Other Provisions

According to US-GAAP, provisions for contingent liabilities may only be set up if it seems highly probable that the liability will materialize and the amount of the liability can reasonably be estimated. According to German accounting principles, provisions may also be set up when utilization thereof is merely possible, i.e. sufficiently probable.

Pension Provisions

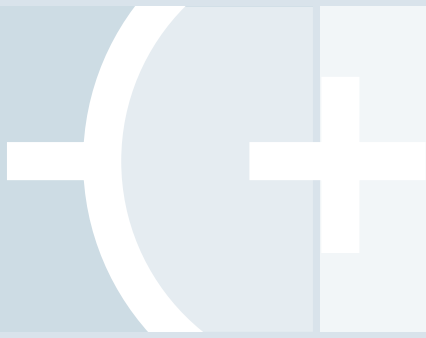
According to US-GAAP, pension obligations that have been incurred are calculated according to the cumulative process of the “projected unit credit” method. The cash value of the pension obligation, which must be accrued, is thereby increased from year to year by the cash value of the entitlement earned by the employees. The basis of calculations for the annual pension costs is the cash value of the earned pension expectancy, taking into account future wage and salary adjustments. The discount rate is based on the long-term in-terest rate.

According to German accounting standards, provisions for employees’ pension liabilities, which exist on the balance sheet date, are determined on the basis of the “going-concern value method” for taxes. Adjustments with respect to future wage and salary increases are not taken into account. The liabilities are shown fully as an obligation according to the actuarial evaluation with respect to retirement age, life expectancy and other factors, using a fixed annual interest rate of customarily 6%.

Convertible bond and warrant-linked bond

Convertible bond and warrant-linked bond

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



CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Derivative financial instruments

According to US-GAAP, derivative financial instruments are recorded on the Balance Sheet at their fair value. Under German GAAP, derivative financial instruments being defined as pending transactions are only recognized in case of their fair value indicating the threat of loss as of the Balance Sheet date.

Conversion of Foreign Currencies

According to US-GAAP, accounts receivable and liabilities in foreign currencies are converted at the rate prevailing at the balance sheet date. Unrealized profits and losses are effectively anticipated. According to German standards, foreign currency account receivables are treated according to the lowest value principle and foreign currency liabilities according to the imparity principle. As a result, only unrealized losses are effectively anticipated, whereas unrealized profits from currency rate developments remain unaccounted for at the balance sheet date.

11.3 BASIS OF THE US-GAAP STATEMENTS

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

Derivative Financial Instruments

Accounting for derivatives follows Statements of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", amended by SFAS NO. 137 „Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement NO. 133 an amendment of FASB Statement No.133”, SFAS NO. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS NO. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". Derivative Instruments are accounted at fair market values and are included in other assets or other liabilities. Changes in the value are immediately recorded in the income statement. Using financial derivatives in principle follows the requirements of Hedge Accounting, but the Company does not use Hedge Accounting.

Cash and Cash Equivalents

Cash and cash equivalents include credit balances with banks as well as short-term capital deposits with a term of less than three months at the time of investment.

Accounts Receivable

Accounts Receivable are recognized at nominal values. Allowances at an appropriate level are made for doubtful accounts as well as for bad debts.

The Group's customers are concentrated in the semi-conductor industry but are distributed over a wide geographic area. None of the individual customers has a substantial share in the total proceeds of the Company. By the same token, there are no substantial account receivables outstanding against any individual customers.

Marketable Securities

Securities and investments are accounted for at fair value, if readily determinable. Unrealized gains and losses on available-for-sale securities as defined in SFAS NO. 115 are included in accumulated other comprehensive income, net of applicable taxes. All other securities are recorded at cost. Unrealized losses on all marketable securities and investments that are other than temporary are recognized in earnings.

Inventories

Inventory is carried at the lower of either manufacturing or acquisition cost or market value under consideration of the lower-of-cost-or-market principle. Manufacturing costs include direct material and production costs as well as separable material and manufacturing over-heads. The costs for inventories besides unfinished and finished products are determined on the basis of the direct costs allocable thereto whereas the FIFO (first-in, first-out) method is used to determine the value of all other inventories. The Costs of Goods Sold include also costs that can be directly attributed to Service Revenues.

Any inventory risks arising out of the storage period or diminished usability have been taken into account through adequate inventory allowances.

Tangible fixed assets

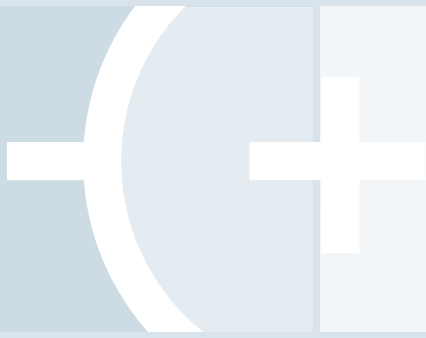
Tangible fixed assets are capitalized at acquisition and/or manufacturing cost and depreciated on a straight line basis according to their estimated useful life. The period of depreciation for the relevant asset categories is set forth below:

Buildings, Exterior Facilities and Leasehold Improvements	10 – 40 Years
Standard-Software	3 – 5 Years
Technical Facilities and Machinery	4 – 5 Years
Other Facilities, Operational and Business Equipment	3 – 5 Years
Vehicles	5 Years

Repair and maintenance expenses are charged directly to the Income Statement. Substantial investments in renovation and expansion are capitalized to the extent that they increase the value of the investment object. In the case of asset disposal, the related historical costs and accumulated depreciations are taken off the books and the difference to sales proceeds is reflected in the Income Statement as either income or expense.

Interest expenses that are attributed to an asset during its creation are capitalized and, after completion, amortized over the expected useful lifetime of the asset.

In the case of leased fixed assets, a difference is made between the finance leases and operating leases. Finance-leased assets are capitalized on the basis of the cash value of all future minimum lease payments and at the same time the leasing debt is included in liabilities. The capitalized items are depreciated over their useful life, while the leasing debt is repaid, together with interest thereon, in accordance with the relevant lease contract. In the case of operating leases, however, no capitalization is performed but the leasing payments are entered in the Income Statement as an expense.



CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

Following SFAS NO. 142, Goodwill and intangible assets with indefinite useful lifetime since Jan 1, 2002 are not amortized anymore. On a yearly basis or in case of triggering events that could reduce the fair value of a Reporting Unit (RU), impairment is performed. The Group identified primarily the legal entities as Reporting Units.

The impairment test is done in two steps. In the first step, the market value of a RU is compared with the book value including Goodwill. If the book value exceeds the market value, this is an indicator for a potential impairment requirement. Then the second step is performed, where the implied market value of the Goodwill is compared with the book value. The implied market value of the Goodwill equals the difference between the market value and the value of all assets and liabilities of the RU, similar to the approach in SFAS NO. 141 for business combinations. If this implied value is below the book value of the Goodwill, an extraordinary write-down is necessary.

The impairment test as set forth in SFAS NO. 142 did not cause any Goodwill impairment.

Intangible Assets

Intangible Assets with an indefinite useful lifetime are not amortized anymore since Jan 1, 2002. On a yearly basis or when triggering events occur even within the year, an impairment test is performed for these assets. This impairment test is based on a comparison between the market value and the book value. In the case that the book value exceeds the market value, an extraordinary write-down would be booked.

Intangible assets with a definite useful lifetime are accounted at acquisition costs and are subject to ordinary amortization over the useful lifetime not exceeding 10 years.

Accounting for the Impairment or Disposal of Long-Lived Assets

In accordance with the provisions of SFAS NO. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (see New Accounting Pronouncements), the Group evaluates long-lived tangible and intangible assets with a definite useful lifetime. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or Group of assets may not be recoverable. Recoverability of assets to be held and used is assessed by comparing the carrying amount of an asset or asset Group to the expected future undiscounted net cash flows of the asset or Group of assets. If an asset or Group of assets is considered to be impaired, the impairment to be recognized in the Group's financial statements is measured as the amount by which the carrying amount of the asset or Group of assets exceeds fair value. Long-lived assets meeting the criteria to be considered as held for sale are reported at the lower of their carrying amount or fair value less costs of disposal.

Pension Liabilities

The pension liabilities are reported in accordance with SFAS NO. 87, "Employer's Accounting for Pensions". The liabilities resulting from the plans of the German Group companies are calculated using the "projected unit credit" method. Future increases in salary and other increases in remuneration are taken into account. In addition, the Company adopted SFAS No. 132 (revised 2003) "Employers Disclosures about Pensions and other Postretirement Benefits", which requires additional disclosures compared to those in the original SFAS No. 132.

Other Comprehensive Income

According to US-GAAP, it is required that "other comprehensive income" be reflected in the Consolidated Annual Financial Statements. In this respect, Other Comprehensive Income is defined as follows:

Any changes to equity within the fiscal year, which were not caused by shareholders and are usually not included in the Group's annual net income according to US-GAAP. Such procedures affect foreign currency adjustments and certain unrealized profits/losses from securities and that portion of the minimum liability for pension reserves which exceeds the intangible assets that may be capitalized.

Accounting for Stock-Based Compensation

The Company reports its commitments from stock option plans using the fair value approach in accordance with SFAS NO. 123, "Accounting for Stock-Based Compensation".

Earnings per share

The Company calculates the earnings per share according to SFAS NO. 128, "Earnings per Share".

The undiluted earnings per share are calculated using the net income/net loss divided by the weighted average of the issued shares.

The diluted earnings per share consider also share equivalents, especially share options, in the weighted average of shares.

Revenue Recognition

Revenues from products sold to customers are recognized pursuant to SEC Staff Accounting Bulletin („SAB“) 104 ‚Revenue Recognition‘. In addition, EITF 00-21 ‚Revenue Arrangements with Multiple Deliverables‘ is applied for all contracts having multiple components. Accordingly, the portion of sales for the individual elements is determined according to their relative proportion of the current values. In addition, the limit for the amount to be realized is set by the maximum partial amount to be charged up to the delivery of the respective element.

In accordance therewith, the portion of revenue where collection is reasonable is recognized in relation to the goods and services already supplied, but only after the passing of the risk to the customer. If, after delivery, there are goods and services essential to the order that must still be supplied, the related revenues will be recognized only after such goods and services have actually been delivered.

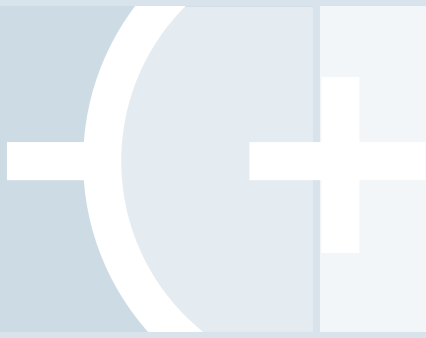
Service Revenues are recognized after Service is performed or, in case of existing Service Contracts, on a pro rata temporis basis.

Warranty provisions

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

Freight and Commission

Freight-out and commission payments to third parties, to the extent that they are connected with the sale and distribution of the products, are reflected as a reduction of sales. Freight-in for products purchased for use in the manufacturing process is allocated to cost of goods sold. Commission payments to the Group's staff members are shown under the general administration and selling costs.



CONSOLIDATED FINANCIAL STATEMENTS

Expenses for Advertising, Research & Development

Expenses for Advertising, Research & Development are expensed immediately.

Other Income and Expenses

The other Income and Expenses are allocated to the Operating Profit. This also applies for the Foreign Currency Exchange Gains and Losses.

Taxes

The other Income and Expenses are allocated to the Operating Profit. The prior year therefore was reclassified. This also applies for the Foreign Currency Exchange Gains and Losses.

The Group uses SFAS NO. 109 "Accounting for Income Taxes". According to the liabilities method, deferred tax assets and liabilities are created for the expected tax consequences arising out of the differences of assets and liabilities between the accounting methods according to US-GAAP and the local tax provisions. In this connection, those tax rates and tax provisions are used which apply at the time of the realization of these differences.

Loss carry-forwards are capitalized and examined to determine whether they can be realized in the future or not. If necessary, an appropriate allowance is made.

The applied average income tax rate is explained in the tax reconciliation. Concerning the calculation we refer to V.2. In 2003 only, the German corporate tax is increased from 25 % to 26.5 % due to the flood solidarity law. This change is considered in the calculation of the deferred taxes in 2002.

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

Accounting for subsidies

In the recording of subsidies, a distinction is made between investment subsidies and research and development subsidies or subsidies for other expenses. Upon receipt of payment, investment subsidies are deducted directly from the acquisition cost of the fixed assets purchased. The other subsidies are recorded upon receipt of payment under the item "other income", thereby affecting operating results.

Use of Estimates

The preparation of the Consolidated Annual Financial Statements according to generally accepted accounting principles requires that management makes certain estimates and assumptions, which will have an effect on the figures shown in the Consolidated Financial Statements. The actual figures may differ from the estimated amounts.

11.4 CONSOLIDATION

Basis of Consolidation

In addition to SUSS MicroTec AG, the Consolidated Financial Statements include all companies of significance over which - irrespective of the shareholding in these companies - control is being exercised in accordance with the control principle. This is generally assumed in the case of a shareholding in excess of 50 %.

Associated companies over which the Group may exert a material influence, (generally in the case of a shareholding between 20 and 50 %) are valued according to the equity method.

Other equity holdings and companies over which no material influence may be exerted are carried at cost less any necessary reduction in value.

All inter-Group assets and liabilities as well as income and expenses are eliminated. This includes also inter-Group profits.

Foreign Currency Translation

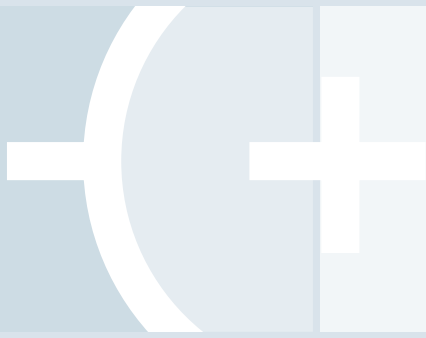
The foreign currency conversion is performed in accordance with the Statement of Financial Accounting Standards (SFAS NO. 52), "Foreign Currency Translation".

Conversion of Annual Financial Statements into Foreign Currency

The functional Currency of the Group is the EURO. Balance sheet items of subsidiary companies, whose standard currency is the respective local currency, are converted (with the exception of equity capital, which is converted at historical rates) at the applicable rate on the balance sheet date. Income Statement items are converted at the weighted average rate of the respective year.

	2004		2003	
	Balance	P&L	Balance	P&L
1 EUR vs 1 USD	1.36	1.25	1.26	1.13
1 EUR vs 100 JPY	139.83	133.92	134.85	131.17
1 EUR vs 1 GBP	0.71	0.68	0.71	0.69
1 EUR vs 1 CHF	1.54	1.55	1.56	1.52
1 EUR vs 100 NTD	43.63	41.67	42.83	39.04
1 EUR vs 100 CNY	11.12	10.21	10.41	9.38
1 EUR vs 100 THB	53.08	50.17	49.94	47.52

The resulting conversion differences are reported as separate components of equity (OCI – Other Comprehensive Income).



CONSOLIDATED FINANCIAL STATEMENTS

II.5 INFORMATION CONCERNING THE CONSOLIDATED GROUP

The following subsidiaries and equity holdings of Süss MicroTec AG (the Group's ultimate parent Company) are included in the Consolidated Financial Statements as of 31 December 2004 (information concerning the individual companies' capital and net income for the year has been provided in accordance with local law and in the local currency; (*) = unaudited):

Entity	Subscribed Capital	Investment	Equity total	Annual Income	Consolidation
SUSS MICROTEC AG, Garching	15,156,884.00 €	Holding	92,214,726.86 €	-3,417,336.04 €	
SUSS MICROTEC LITHOGRAPHY GMBH, Garching	2,000,100.00 €	100 %	14,143,436.81 €	-4,297,658.20 €	full
SUSS MICROTEC TEST SYSTEMS GMBH, Sacka	511,291.88 €	100 %	7,917,093.85 €	-107,426.46 €	full
SUSS MICROTEC LAB, EQUIPMENT GMBH, Singen (*)	26,000.00 €	100 %	208,459.25 €	145,390.71 €	full
SUSS MICROTEC LTD., Wokingham Berkshire (*)	£10,000.00	100 %	£1,428,945.00	-£36,550.00	full
SUSS MICROTEC KK, Yokohama	30,000.00 TJPY	100 %	320,219.00 TJPY	9,064.00 TJPY	full
SUSS MICROTEC S.A.S., St. Jeoire	1,275,000.00 €	100 %	1,648,759.00 €	-160,896.00 €	full
SUSS MICROOPTICS S.A., Neuchatel (*)	500,000.00 CHF	85 %	407,631.19 CHF	143,674.45 CHF	full
SUSS MICROTEC INC., Waterbury	\$105,000.00	100 %	\$11,368,836.31	-\$3,289,473.86	full
SUSS MICROTEC (Taiwan) Company Ltd., Hsin Chu (*)	5,000,000.00 NTD	100 %	27,037,680.00 NTD	18,109,702.00 NTD	full
SUSS MICROTEC Company Ltd., Shanghai (*)	1,655,320.00 CNY	100 %	2,731,806.60 CNY	751,136.70 CNY	full
IMAGE TECHNOLOGY INC., Palo Alto (*)	\$24,287.00	100 %	\$240,176.49	\$234,298.42	full
MFI TECHNOLOGIES Group (*)	\$2,737,476.00	100 %	-\$3,848,755.00	-\$53,555.00	full
HUGLE LITHOGRAPHY INC., Sunnyvale (*)	\$1,190,442.00	53.1 %	n/a	n/a	at equity
SUSS MICROTEC COMP. LTD, Bangkok (*)	4,000.00 TTHB	49 %	12,020.00 TTHB	1,011.00 TTHB	full
KARL SÜSS GESCHÄFTSFÜHRUNGSGMBH, Garching (*)	25,564.59 €	100 %	40,913.43 €	-26.99 €	at cost
Zentrum für Technologiestruktur-entwicklung, Glaubitz (*)	51,129.19 €	10 %	n/a	n/a	at cost
ELECTRON MEC. S.R.L., Milan (*)	n/a	10 %	n/a	n/a	none

The consolidated financial data for these companies is derived from their individual financial statements as of December 31st of each respective year.

SUSS MicroTec Company Ltd., Bangkok, where SUSS MicroTec AG owns a 49 % interest, was consolidated on a full-consolidation basis for the first time 2004. The Company operates as a sales Company for the SUSS Group in Asia and is controlled by SUSS MicroTec AG.

II.6 ACQUISITIONS

Acquisitions took place neither in 2004 nor in 2003.

II.7 NEW ACCOUNTING POLICIES

No recent accounting pronouncements were issued by the standard setter with relevance for the accounting principles of the Company.

III. ILLUSTRATION OF BALANCE SHEET ASSETS

III.1 MARKET VALUES OF FINANCIAL INSTRUMENTS

The estimated market values of non-derivative financial instruments do not necessarily represent the values, which the Group would realize in an actual market transaction.

For the determination of the market values of the individual categories of financial instruments, the following methods were used and assumptions made:

Cash and cash equivalents: Due to the short-term nature of the investments, the book values correspond to the market values.

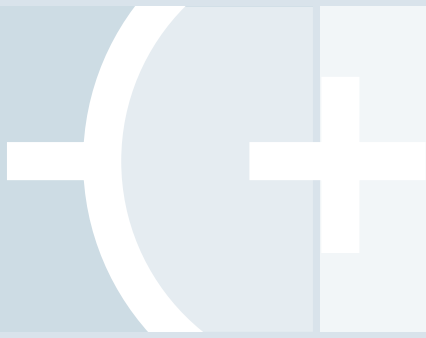
Trade debtors and creditors: Due to the short term nature of the accounts receivable and payable from trade debtors and creditors, the book values correspond approximately to their market values.

Securities: The market values are determined on the basis of stock exchange prices.

Long-term loans: Market values were estimated on the basis of listed market prices of instruments with similar times to maturity and interest rates. The carrying amounts of the Company's variable rate debt equals approximate fair value due to interest rates being based on floating rates reflecting current market rates.

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

Derivative instruments are reported at their market values.



CONSOLIDATED FINANCIAL STATEMENTS

The estimated market values for the financial instruments of the Group as of 31 December 2004 are set forth in the following table:

	2004		2003	
	Book Value	Market Value	Book Value	Market Value
Cash & Cash equivalents	22,534	22,534	26,785	26,785
Accounts Receivable/ Accounts payable	21,417	21,417	17,634	17,634
Current bank obligations	-2,550	-2,550	-3,154	-3,154
Long-term financial debt (including short-term portion)	-11,770	-11,811	-13,772	-14,144
Convertible bond	-9,629	-8,457	-11,642	-10,233

III.2 DERIVATIVE FINANCIAL INSTRUMENTS

Inter-Group purchase and sale contracts occur with cross-border deliveries between subsidiaries. This applies especially for entities in the USD and JPY areas that purchase goods from affiliates in the EUR area. At the time when the internal order is placed, currency forwards are closed to hedge currency fluctuations up to the time of payment. Since the un-derlying transaction does not take place until revenue recognition occurs, the Company hedges anticipated transactions.

Derivatives are not used for any type of speculation.

Derivatives at year end 2004:

	2004		2003	
	Nominal Volume	Market Value in TEUR	Nominal Volume	Market Value in TEUR
Sale of USD (in k USD)	3,560	182	5,621	599
... up to one year	3,560	182	5,261	556
... up to two year	0	0	360	43
Sale of Yen (in Mio JPY)	306.2	97	28.5	5
... up to one year	306.2	97	28.5	5
Purchase of USD (in k USD)	0	0	400	-25
... up to one year	0	0	400	-25

The fair market values of Derivatives are determined by using official price fixings. At year end, the Derivatives are classified as other current assets or other liabilities depending on a positive or negative fair market value. Above listed are all Derivatives that existed 31 Dec 2004. The potential risks are derived from fluctuation of currencies and the creditworthiness of the contract partner. We use only German banks with excellent ratings as partners.

III.3 ACCOUNTS RECEIVABLE

Figures for 2004:

	2004	2003
Accounts Receivable - gross	28,531	25,461
Doubtful debts reserves	-1,438	-1,855
Accounts Receivable - net	27,093	23,606

III.4 OTHER CURRENT RECEIVABLES AND ASSETS

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

The shares were valued at the official share price. The unrealized loss of TEUR 35 was assigned to the other comprehensive income whilst the value of the shares of TEUR 75 (2003: TEUR 110) is included in the other current assets.

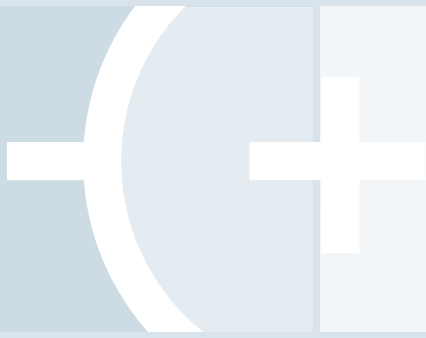
Following positions are included:

	2004	2003
Tax prepayments	1,590	4,180
Currency Forwards	279	604
Turnover Tax	218	548
Deposits paid	160	208
Others	495	1,063
Other current assets	2,742	6,603

III.5 INVENTORIES

Breakdown of inventories:

	2004	2003
Materials and Supplies	15,969	18,767
Work in Process	13,876	12,668
Finished Goods	8,696	6,788
Demonstration Equipment	10,556	10,745
Merchandise	141	162
Inventory reserves	-7,993	-7,230
Inventory -net	41,245	41,900



CONSOLIDATED FINANCIAL STATEMENTS

III.6 PREPAID EXPENSES

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

III.7 TANGIBLE ASSETS

We refer to the fixed assets movement schedule.

	2004	2003
Depreciation on tangible assets	3,752	4,106

Depreciation on tangible assets includes an extraordinary write down of TEUR 411 on software licenses. The amount is shown under the administration and selling costs. The write down was necessary due to the future IT-strategy of the Company.

Leasing

The Group has leased certain tangible fixed assets on the basis of long-term lease agreements. Because of their specific features, these agreements constitute finance leasing and are treated accordingly in the accounts. For a detailed disclosure we refer to the fixed asset movement schedule and to IV.2. In addition, the Group leases buildings, office equipment and vehicles, which represent operating leases.

III.8 INTANGIBLE ASSETS AND GOODWILL

Goodwill

In adoption of SFAS NO. 142, Goodwill amounting EUR 28 Mio since January 2002 is no longer amortized. Related to the adoption, the useful lifetimes of all acquired intangibles were evaluated in May 2002. No intangible was identified that has an indefinite useful lifetime.

Also, the first adoption required that intangible assets that do not meet the criteria of SFAS NO. 141 are reclassified to Goodwill. Furthermore intangible assets being included in the Goodwill in the past, needed to be reclassified to intangible assets. The Group did not identify any reclassification requirements.

The yearly impairment test on the Goodwill is performed in the 3rd quarter of each fiscal year. Impairments were not necessary neither in 2004 nor in 2003.

Intangible Assets

The other intangible assets as of 31 Dec 2004 consist of patents, licenses and similar rights amounting TEUR 5,355 (2003: TEUR 7,305).

Amortization on the other intangible assets was TEUR 1,855 in 2004 and TEUR 1,965 in 2003, respectively. Extraordinary impairments were not performed neither in 2004 nor in 2003.

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

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

	Value TEUR
2005	1,769
2006	1,202
2007	1,121
2008	1,121
2009	136
... Later	6

These estimates may differ from the future effective amounts.

III.9 FINANCIAL INVESTMENTS

Financial investments consist of the following:

	2004	2003
Equity investments at equity	22	110
Other equity investments	33	34
Financial investments	55	144

The equity investment in Hugle Lithography Inc., USA (share 53,1%) is consolidated at equity. The investment was TEUR 22 at the end of 2004 (2003: TEUR 22).

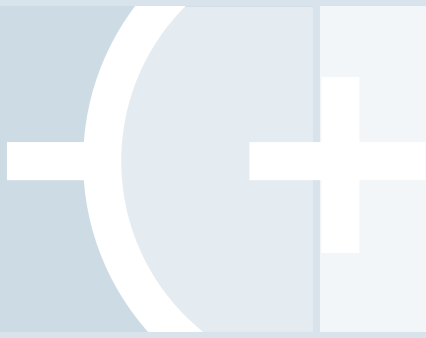
The financial investment in SUSS MicroTec Company Ltd., Bangkok was consolidated at equity in 2003. The investment was TEUR 88 at the end of 2003. In 2004, this Company is consolidated on a full-consolidation basis.

There are further financial investments with shares of less than 20%. These are evaluated with market values, if available, or with the acquisition costs less allowances, if necessary.

III.10 OTHER LONG TERM ASSETS

Included positions are:

	2004	2003
Reinsurance pension obligations	1,456	1,422
Loans issued	198	208
Deposits	159	59
Others	40	212
Other long-term assets	1,853	1,901



CONSOLIDATED FINANCIAL STATEMENTS

IV. ILLUSTRATION OF BALANCE SHEET LIABILITIES

IV.1 FINANCIAL LIABILITIES

Financing

In September 2004 the Company entered into a loan agreement amounting TEUR 3,350 with IBM Deutschland Kreditbank GmbH. At December 31, 2004, an amount of TEUR 1,250 was outstanding under this loan agreement. The loan bears interest at a rate based upon the one-month-EURIBOR plus a risk-adjusted mark-up. The weighted average interest rate in the fiscal year was 7.32%. The loan matures latest on June 30, 2006.

In 2003, the Group entered into an animation contract with a consortium led by Bayerische Hypo- und Vereinsbank. Until 30 Apr 2005 a line of credit amounting EUR 11 million is granted as long as certain financial covenants are met. Besides Bayerische Hypo- und Vereinsbank further partners are Bankhaus Reuschel & Co and ING BHF Bank. At 31 December 2004, the line was not utilized. The line of credit is matures in April 2005.

The Group has further domestic and foreign lines of credit with different financial institutions. The total lines and their utilization are set forth below:

	2004	2003
Credit line	16,491	16,923
Utilization	2,550	3,730
Open credit line	13,941	13,193

Current bank liabilities

Current bank liabilities at 31 Dec 2004 amounted TEUR 2,550 compared to TEUR 3,154 at Dec 31, 2003. The average interest rate of the existing lines of credit was 6.39% in 2004 (2003: 6.16%).

Long-term financial liabilities

Breakdown of the financial liabilities:

	2004	2003
Convertible bond	9,629	11,642
Long-term debt with third parties	11,770	13,772
Total long-term debt	21,399	25,414
Less current installments	7,982	2,991
Long-term debt excluding current installments	13,417	22,423

Holders of the Convertible Bond due April 30, 2006 partially executed their conversion rights and converted bonds amounting TEUR 2,013 into 200,000 new shares of the Company. As of December 31, 2004, the remaining bond amounts TEUR 9,629. TEUR

9,256 are attributed to a convertible bond to be repaid in two portions Oct 31, 2005 (TEUR 5,634) and 30 Apr 2006 (TEUR 3,622) with an interest rate of 6 % p.a. as long as no conversion of up to 919.810 shares takes place in the meantime. The conversion price per share is EUR 10.063075. SÜSS can enforce conversion of up to 30 % of the nominal value in case that the share price exceeds within 23 of 25 consecutive days 140 % of the conversion price. Conversion of up to 50 % of the nominal value can be enforced when the share price exceeds within 23 of 25 consecutive days 200 % of the conversion price.

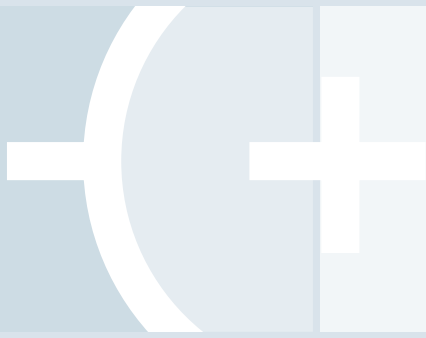
TEUR 373 are attributed to a bond with warrants to be repaid Oct 31, 2008 with an interest rate of 6 % p.a. as long as no conversion of up to 373.270 shares takes place in the mean-time. The exercise price per share is EUR 10.566229 and therefore 5 % above the conversion price where additional EUR 9.566229 have to be paid in cash for each share whilst 1.00 EUR per share is paid through presentation of one bond at a nominal value of EUR 1.00. From 4 Nov 2004 on, SÜSS can enforce conversion of up to 33 1/3 % of the nominal value in case that the share price exceeds within 20 consecutive days 135 % of the conversion price. Conversion of up to 100 % of the nominal value can be enforced when the share price exceeds within 20 consecutive days 200% of the conversion price.

The Convertible Bond and the Bond with warrants are both unsecured.

In December 2004, bank loans of nominal TEUR 1.432 were collateralized by land charges. As security for the bank loans of nominal TEUR 6.374, SÜSS MicroTec AG pledged its shares in SÜSS MicroTec Lithography GmbH, SÜSS MicroTec S.A. and SÜSS MicroTec Inc.

Bank loan status at the end of the year:

	2004	2003	Interest Rate	Maturity
Bank Loan I (EUR)	3,178	3,813	3.25 %	2009
Bank Loan II (EUR)	3,196	3,835	3.75 %	2009
Bank Loan III (EUR)	0	590	4.25 %	2004
Bank Loan IV (EUR)	588	735	3.75 %	2008
Bank Loan V (USD) in EUR	692	1,025	9.81 %	2007
Bank Loan VI (USD) in EUR	201	302	8.75 %	2007
Bank Loan VII (USD) in EUR	655	981	8.75 %	2007
Bank Loan VIII (EUR)	1,250	0	variable	2006
Other Loans < EUR 1 million	2,010	2,491		
Total	11,770	13,772		
... thereof due short-term	2,348	2,991		
... thereof due long-term	9,422	10,781		
...due in 2005	2,348			
2006	3,691			
2007	1,959			
2008	1,593			
2009	1,442			
...later	737			
	11,770			



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IV.2 LEASING

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

The maturity of the lease obligations is set forth below:

	Finance Lease	Operating Lease	there of Operating Lease with affiliated parties
Expenses 2003	-	2,633	1,828
Expenses 2004	-	2,997	1,809
... due in 2005	176	2,916	1,749
2006	157	2,264	1,749
2007	110	1,797	1,448
2008	93	1,674	1,448
2009	74	420	339
... later	0	1,034	1,018
Total	610	10,105	7,751
...thereof interest	85		
Liability	525		
... due short-term	137		
... due long-term	388		

IV.3 PENSION LIABILITIES

The Company has various insurance plans, which primarily insure against the risks of old age, death and disability. The plans differ according to the general legal, tax and economic conditions prevailing in the individual countries. As a rule, benefits are calculated on the basis of the salaries of the insured employees.

The pension liabilities are as follows:

	2004	2003
Domestic liabilities	3,259	3,461
... thereof short-term	243	212
foreign liabilities	381	334
... thereof short-term	12	2
Total	3,640	3,795
... thereof short-term	255	214

German Plans

The pension commitments comprise entitlements to old age, disability and dependent survivors' pensions, funded on the one hand on the basis of annual salary and, on the other hand, as fixed covenants. Selected persons at executive level are covered under these plans. The relevant actuarial assumptions are set forth below:

	2004	2003
Discount factor	5.25 %	5.25 %
Salary increase	0.0 %	0.0 %
Pension increase	1.0 %	1.0 %
Life expectancy according to tables of Dr, Heubeck 1998		

The following table presents the changes in the projected benefit obligations ("PBO") during the years indicated:

Reconciliation of projected benefit obligation	2004	2003
Projected Benefit Obligation as of Jan 01	3,461	3,520
Service cost	10	9
Interest cost	175	186
Actuarial gains/losses	-113	24
Benefit payments	-274	-278
Projected Benefit Obligation as of Dec 31	3,259	3,461

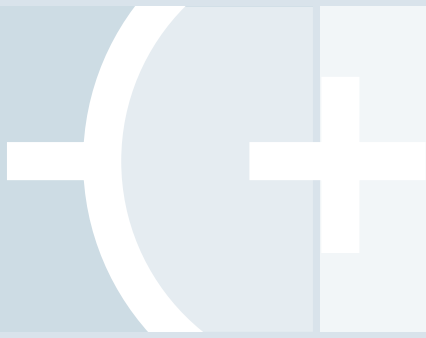
The accumulated benefit obligation as of Dec 31, 2004, is equal to the projected benefit obligation.

A reconciliation of the funded status with the amounts recognized in the consolidated Balance Sheet is as follows:

Reconciliation of funded status	2004	2003
Projected Benefit Obligation as of Dec 31	3,259	3,461
Plan assets	0	0
Funded status	3,259	3,461
Unrecognized transition amount	-36	-71
Unrecognized prior service cost	-17	-18
Unrecognized net (gain) or loss	18	-96
	3,224	3,276
Additional minimum liability	35	185
... thereof intangible assets	0	89
... thereof Other Comprehensive Income	35	96
Accrued pension liability	3,259	3,461

The following table presents the components of the net periodic pension costs for the years ended December 31, 2004 and 2003:

Determination of Net periodic pension costs	2004	2003
Service cost	10	9
Interest cost	175	186
Amortization of transition amounts	36	36
Unrecognized prio service cost	0	1
Amortization of aktuarial (gain) or loss	1	1
Net periodic pension cost	222	233



CONSOLIDATED FINANCIAL STATEMENTS

The following table illustrates the estimated pension payment for the next 10 years:

Projected future benefit payments	Value TEUR
2005	255
2006	257
2007	260
2008	263
2009	265
2010 until 2014	1,366

U.S. – Plans

The Group has a “Defined Contribution Plan” which, as a rule includes all employees aged 21 and over and who work a minimum of 1,000 hours per year. The plan consists of two components: a profit-sharing plan and a 401 (k) Plan.

Each year, the Executive Board of the US-Company determines new contributions which flow into the profit-sharing scheme. All the contributions of the Company are held in a “trust fund”. Employees, who are entitled to claim, will obtain a vested right to claim benefits over a period of 6 years.

Under the 401 (k) Plan, the employer contribution is USD 0.50 for every USD 1.00 of the employee contribution up to a maximum employee contribution of USD 2,000 (i.e. the maximum employer contribution is USD 1,000). Employees will have a claim to the full employer contribution only after completion of the third year of employment. Prior to this, they will not be entitled to claim any employer contributions.

In fiscal year 2004, the expenses of the Group for the profit-sharing plan amounted to TUSD 0 (2003 TUSD 0) and for the 401 (k) Plan TUSD 166 (2003 TUSD 0).

IV.4 OTHER CURRENT LIABILITIES

Included are the following positions:

	2004	2003
Accrued personnel expenses	7,980	4,011
Deposits received	3,436	2,688
Third party services	1,790	1,420
Other accrued expenses	1,435	1,241
Warranty provisions	1,411	1,275
Bonuses and Commissions	1,187	1,950
Provision for Income taxes	489	1,005
Deferred subsidies	475	0
Deferred income	377	825
Turnover tax	211	329
Repurchase guarantees	188	0
Others	900	2,185
Total	19,879	16,929

In fiscal 2004, restructuring costs for the shutdown of the Asslar plant of TEUR 1,369 were considered in the personnel expenses. Furthermore, a severance payment for the resignation of the former CEO of the Company was included.

The warranty provisions are recalculated every year on the basis of occurred warranty expenses of the period in relation to the recognized sales.

	Value TEUR
Beginning Balance Jan. 1, 2004	1,275
Addition in liability for accruals issued during the reporting period	2,651
Reductions in liability for payments made	2,444
Addition in liability for accruals related to preexisting warranties	0
Reversal of accrual	71
Ending Balance Dec. 31, 2004	1,411

IV.5 OTHER LONG-TERM LIABILITIES

The other long-term liabilities are as follows:

	2004	2003
Liabilities to suppliers	139	221
Loans from employees	97	96
Others	194	200
Total	430	517

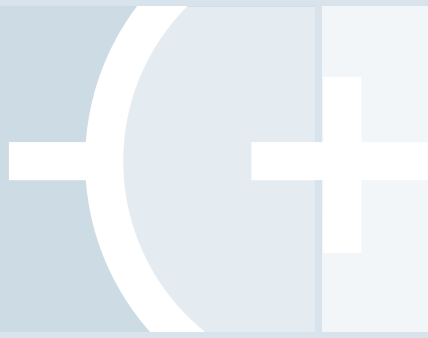
IV.6 EQUITY

The registered share capital of SÜSS MicroTec AG amounted EUR 14.956.884 as of Dec 31, 2003. On February 6, 2004, holders of the convertible bond, due April 30, 2006, partially exercised their conversion rights and converted bonds in an amount of TEUR 2,013 into 200,000 new shares of the Company. The new shares were issued out of conditional capital. After the increase the registered share capital amounts to EUR 15,156,884 and is divided in 15,156,884 million shares with a nominal value of EUR 1,00 per share.

We refer to the development of shareholders' equity.

Each ordinary share entitles the holder to one vote. The ordinary shares are non-refundable and non-convertible. In accordance with the accounting principles under German commercial law, dividends can only be distributed from the distributable profit as reflected in the annual financial statements of SÜSS MicroTec AG.

At the General Shareholders' Meeting of 16 June 2004, the resolution was adopted to annul the authorized capital 2002 and the related right to issue new shares. Concurrently, new authorized capital amounting TEUR 7,478 was created including the right to partially exclude subscription rights.



CONSOLIDATED FINANCIAL STATEMENTS

The conditional capital of TEUR 5,797 can be used for up to TEUR 5,000 for issuance of convertible bonds and up to TEUR 491 for the new option plan effective from 2003 on. The remaining TEUR 307 are related to the old, closed option plan.

	2004	2003
Subscribed capital	15,157	14,957
Authorized capital	7,478	7,466
Conditional capital	5,797	5,807

Other comprehensive income (OCI)

Development of the OCI:

	2004	2003
Foreign currency conversions	-5,613	-3,358
Additional minimum liability	-60	-46
Unrealized gain from securities	47	0
OCI as of Jan. 1, 2004	-5,626	-3,404
Pre-tax changes		
Foreign currency conversions	-47	-2,255
Additional minimum liability	27	-23
Unrealized loss/ gain from securities	-35	47
Tax effects		
Foreign currency conversions	0	0
Additional minimum liability	-10	9
Unrealized gain from securities	0	0
OCI as of Dec. 31, 2004	-5,597	-5,626

Stock Option Plans

STOCK OPTIONS PLAN 1999

At the General Shareholders' Meeting on 6 April 1999, the resolution was adopted to increase the share capital by up to TEUR 800 until 31 March 2004 by issuing up to a total of 800,000 shares for the granting of subscription rights to board and management members and other executive personnel of the Group's companies. The subscription price for the shares corresponds to the market value on the effective date of granting. The subscription rights can be exercised at 50 % after a waiting period of 3 years and at 50 % after a waiting period of 5 years. The subscription rights may not be exercised by the beneficiaries unless the market price of the SÜSS MicroTec shares is at least 50 % higher than the subscription price on exercising the stock options after 3 years, and at least 75 % higher after 4 years and at least 100 % higher after 5 years. The subscription rights lapse upon termination of employment within the waiting period or, as the case may be, 6 years following the end of the purchasing period.

At the General Shareholders' Meeting of 14 June 2002, the resolution was adopted to decrease the share capital down to TEUR 350. The granting of options based on this old plan was reversed for the future.

STOCK OPTIONS PLAN 2002

Also at the General Shareholders' Meeting of 14 June 2002, the resolution was adopted to increase the share capital by up to TEUR 500 until 31 December 2007 by issuing up to a total of 500,000 shares for the granting of subscription rights to board and management members and other executive personnel of the Group's companies. The subscription rights can be exercised at 100 % after a waiting period of 2 years.

The options based on the new plan can be exercised when

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

or

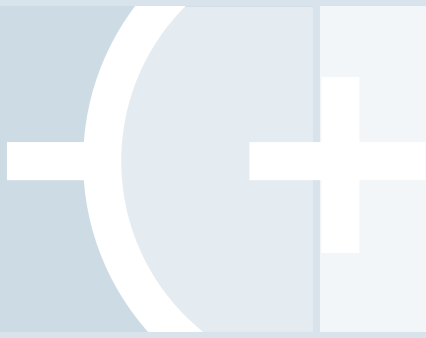
- the share price at the date of execution exceeds the subscription price by at least 0.833 % per full calendar month (10 % per year) between the end of the purchase period and the time of execution.

The subscription rights lapse upon termination of employment within the waiting period or, as the case may be, 3 years following the end of the purchasing period.

In the fiscal year under review, an amount of TEUR 750 (2003: TEUR 650) was allocated to the capital reserve in connection with the plan, thereby affecting the operating result.

Based on the authorized capital approved at the General Shareholders' Meeting of 14 June 2002, in 2004 in total 248,408 subscription rights with a subscription price of EUR 3.44 were issued. 3,000 (2003: 6,500) subscription rights thereof expired due to resignations of employees. Thus at year end 490,500 (2003: 493,500) subscription rights were remaining.

In 2003, 216,500 new options with a subscription price of EUR 1.11 were granted. As of 31 Dec 2004, in total 761,963 (2003: 523,796) subscription rights were granted.



CONSOLIDATED FINANCIAL STATEMENTS

The weighted average market value of EUR 2.63 of the stock options granted in 2004 was estimated using the Black-Scholes Options Evaluation model. In doing so, the following assumptions were made:

	2004	2003	2002
Expected average term	6 years	6 years	5 years
Risk-free interest rate	3.58 %	3.23 %	-
Expected volatility of SUSS shares	39 %	38 %	-
Expected dividend yield	0 %	0 %	-

Development of Stock Options:

	Number of stock options	weighted average subscriptions price EUR
12/31/1998	0	
granted 1999	136,000	13.00
exercised 1999	0	
expired 1999	9,600	13.00
12/31/1999	126,400	13.00
granted 2000	157,662	28.64
exercised 2000	0	
expired 2000	0	
12/31/2000	284,062	21.68
granted 2001	68,000	35.44
exercised 2001	0	
expired 2001	3,432	27.31
12/31/2001	348,630	24.31
granted 2002	0	
exercised 2002	24,400	13.00
expired 2002	1,430	28.64
12/31/2002	322,800	25.14
granted 2003	216,500	1.11
exercised 2003	0	
expired 2003	15,504	9.31
12/31/2003	523,796	15.68
granted 2004	248,408	3.44
exercised 2004	0	
expired 2004	10,241	19.64
12/31/2004	761,963	11.64
exercised	24,400	
negotiable	35,092	

Overall summary

Subscription price level	Number of stock options	weighted average subscription price EUR	weighted average term of maturity months
under EUR 10.00	455,408	2.38	61
EUR 10.00 – EUR 19.99	94,140	13.00	0
EUR 20.00 – EUR 24.99	-	-	-
EUR 25.00 – EUR 29.99	120,415	27.31	11
EUR 30.00 – EUR 35.99	68,000	35.44	17
EUR 36.00 and above	24,000	36.00	5
	761,963	11.64	40

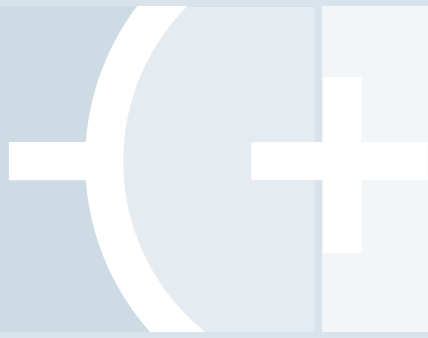
Earnings per Share

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

	2004	2003
Numerator:		
Net loss	-16,690	-14,553
Denominator:		
Weighted average of issued shares		
undiluted	15,134,384	14,956,884
dilution	0	0
diluted	15,134,384	14,956,884
Earnings per share in EUR		
undiluted	-1,10	-0,97
deluted	-1,10	-0,97

1,293,080 shares from the issuance of the convertible bond and the issuance of the bond with warrants were not considered in determining the diluted earnings per share since they would have caused negative dilution.

Although being in the money, the in 2003 and 2004 issued subscription rights were not considered in determining the diluted earnings per share since they would have caused negative dilution.



CONSOLIDATED FINANCIAL STATEMENTS

V. ILLUSTRATIONS TO THE INCOME STATEMENT

V.1 OTHER OPERATING INCOME AND EXPENSES

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

	2004	2003
Subsidies	722	320
Reversal of accruals	514	997
Insurance payments	329	139
Reversal of doubtful accounts allowance	148	0
Membership fees	61	65
Lease income	39	47
Cancellation fee income	0	593
Others	499	722
Other income	2,312	2,883
Bad debts allowance	93	654
Asset disposal	89	551
Cancellation fee expense	85	479
Subsidy repayment	0	47
Other taxes	-7	165
Others	586	128
Other expenses	846	2,024
Total	1,466	859

The other subsidies relate, in particular, especially to research and development subsidies funded by the European Union.

V.2 TAXES

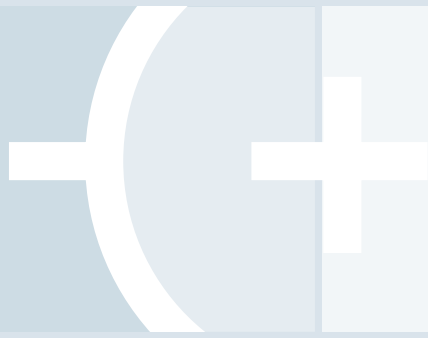
Tax expenses and deferred taxes are calculated as follows:

	2004	2003
German corporate tax	2,672	1,764
German trade income tax	2,214	1,523
Foreign corporate tax	1,836	-1,788
Subtotal	6,722	1,499
Utilization / Capitalization deferred taxes on loss carried-forwards	0	-4,900
Others	0	0
Total	6,722	-3,401
... current taxes	725	-1,851
German	138	930
Foreign	587	-2,781
... deferred taxes	5,997	-1,550
German	4,748	-2,542
Foreign	1,249	992

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

	2004	2003
Expected tax rate		
Corporate income tax	25.00 %	25.00 %
Solidarity surcharge	5.50 %	5.50 %
Trade income tax	14.90 %	14.90 %
Composite tax rate	37.34 %	37.34 %
Earnings before taxes	-9,968	-17,954
Expected income taxes	-3,722	-6,704
Different foreign tax rates	-16	753
Trade tax imputation credit of interests on long-term loans	171	92
Devaluation of inter-Group loan items	19	156
Other non-tax deductible expenses	96	281
Income taxes from prior years	575	0
Valuation allowance on loss carry-forwards	9,404	1,793
Others	195	228
Effective income taxes	6,722	-3,401

In the reported period 2004 a valuation allowance on deferred tax assets amounting TEUR 9.404 (2003: TEUR 1.793, mainly at our affiliate in Japan) was performed. The main portion, TEUR 5.957, is related to deferred tax assets on loss carry forwards occurred at the German affiliates. At affiliates in France and the U.S., a valuation allowance totaling TEUR 475 and TUSD 3.897 respectively, was performed. The valuation allowance reduced the deferred tax asset to a net amount that will, based on the Company's estimates concerning future earnings and the expected timing of temporary difference reversals, more likely than not be realized.



CONSOLIDATED FINANCIAL STATEMENTS

Deferred taxes are calculated as following:

	Assets		Liabilities	
	2004	2003	2004	2003
Bonus provisions	80	101		
Pension accruals	1,195	1,277		
Vacation provisions	175	143		
Other accruals and provisions	725	620		
Currency forwards			86	232
Convertible bond			280	222
Goodwill		5	313	
SAB 104 adjustments	142	156		
Intercompany profit eliminations	1,733	2,218		
Various amortization/depreciation			473	616
Others	623	639		
Tax loss carry-forwards (LCF)	12,532	9,108		
./. Valuation allowance on LCF	-10,823	-3,626		
./. Valuation allowance on other deferred tax assets	-1,525	0		
Total	4,857	10,641	1,152	1,070
... thereof short-term	1,555	2,091	0	0
... thereof long-term	2,374	7,480	224	0

V.3 AFFILIATED PARTIES

Süss Grundstücksverwaltungsgesellschaft GbR and Hungar Mountains (formerly Süss Real Estate)

Various Group companies (SUSS MicroTec Lithography GmbH, SUSS Dresden Test Systems GmbH, SUSS MicroTec Inc.) are leasing their office premises from Süss Grundstücksverwaltungs GbR and Hungar Mountains. The resulting lease expenses based on the agreements are mentioned in IV.2.

	2004	2003
Rental expenses	1,809	1,828

The Süss Family

The members of the Süss family, as former partners and current shareholders of the Group, have various types of earnings, inter alia in the form of pension rights and lease payments. The following table sets forth the relevant relationships between the Group and the Süss family. The pension rights are reflected under IV.3 Pension Liabilities, german plans.

	2004	2003
Salaries, pensions	353	254

CMS

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

	2004	2003
Legal fees	42	86

Expenses to related parties in total

	2004	2003
Salaries, pensions	353	254
Legal fees	42	86
Rental expenses	1,809	1,828
Total	2.204	2,168

VI. OTHER DISCLOSURES

VI.1 DISCLOSURE OF VARIOUS EXPENSES

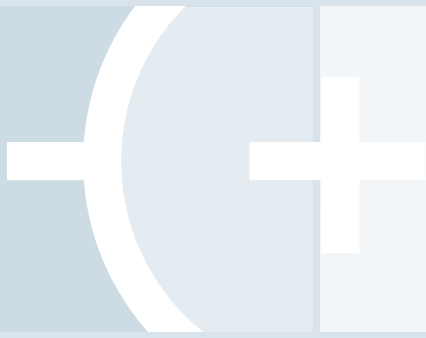
Personnel expenses

The SUSS-Group's Income Statement includes the following personnel expenses broken down into the items set forth below:

	2004	2003
Wages and salaries	37,349	33,532
Social security expenses	6,809	6,287
Old-age provisions	667	472
Total	44,825	40,291

Material expenses

Material expenses in 2004 totalled TEUR 41,373 (2003: TEUR 35,921).



CONSOLIDATED FINANCIAL STATEMENTS

VI.2 CONTINGENCIES

Other contingencies are consisting of the following::

	2004	2003
Purchase contingencies	5,728	5,492
Others	1,016	823
Total	6,744	6,315

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

In May 2004, in connection with the contribution of shares to SUSS MicroTec AG in the fiscal year 2000, the Company was informed by the legal advisor to the contributing party that, regarding the tax treatment of the contribution, it failed to observe an agreement that was allegedly concluded in connection with the contribution agreement. At the moment it cannot be foreseen whether this matter will lead to a dispute. The Management Board, relying on the information provided by its own legal advisor, believes that any possible proceedings instigated by the opposing party are unlikely to be successful, and has therefore not set up any provision for a possible litigation risk.

VI.3 RESTRUCTURING OF OPERATIONS

Due to the market conditions, in summer 2004 several cost savings projects were initiated. This also led to the decision to shut down the Aßlar facility near Frankfurt/Main. A restructuring plan was developed and the employees were informed accordingly. In total TEUR 1,369 were accrued at year end 2004 for this restructuring plan. The layoffs will take place in the following departments:

	Employees
Administration	2
Sales and Marketing	1
Operations	27
Research and development	14
Total	44
therof paid in 2004	0
to be paid in 2005	1,369
Total	1,369

Further restructuring charges include a fixed asset impairment of TEUR 411, professional fees of TEUR 501 incurred in connection with the restructuring activities and TEUR 200 for a shutdown of a sales office in the USA.

VI.4 SEGMENT INFORMATION

The Group is active only in the sale of technical products and service segments. The Group develops, produces and sells products in the area of micro-systems technology and micro-electronics. The main customers are the automobile sector and the semi-conductor industry. In this respect the products delivered are used in similar ways in both industries.

In fiscal year 2004 and 2003, no customer contributed more than 10 % to the Group's sales.

	2004	2003
External sales - products		
Germany	46,342	39,877
USA	37,213	30,212
France	6,297	5,844
Asia	14,739	8,721
Rest of world	2,520	1,865
Total	107,111	86,519
External sales - service		
Germany	2,285	2,787
USA	1,546	1,843
France	831	714
Asia	862	416
Rest of world	232	336
Total	5,756	6,096
Long-term assets		
Germany	14,558	21,400
USA	2,882	5,046
France	2,187	2,470
Asia	997	1,243
Rest of world	558	698
Consolidation	-2,522	-2,092
Total	18,660	28,765
Goodwill		
Germany	9,082	9,082
USA	16,169	16,169
France	1,166	1,166
Asia	187	187
Rest of world	1,405	1,405
Total	28,009	28,009

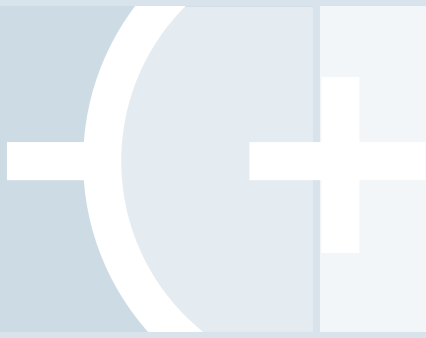
VI.5 EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board of the Group's ultimate parent Company

In fiscal year 2004, the members of the Executive Board were:

Dr. Franz Richter, Dipl.-Ing, Eichenau (Chairman) until Dec 09, 2004

Responsibilities: Research and Development, Operations (until Aug 31, 2004)
Sales and Marketing, Human resources, Investor relations, Legal affairs,
Mergers and Acquisitions (all until Dec 09, 2004)



CONSOLIDATED FINANCIAL STATEMENTS

Dr. Stefan Scheidewind, Dipl.-Ingenieur, Moritzburg/OT Reichenberg, Chairman since Dec 09, 2004,
Member of the Board since Sep 01, 2004

Responsibilities: Research and Development, Patents, Material Management and Logistics, Operations and Facility Management, Operational Safety, Quality Management and Environmental Protection (all since Sep 01, 2004)
Sales and Marketing, Corporate Strategy (all since Dec 09, 2004)

Stephan Schulak, Dipl.-Betriebswirt FH, Rohrbach (Member of the Board)

Responsibilities: Finance, IT, Risk Management
Investor Relations, Legal Affairs, Tax, Human Resources (all since Dec 09, 2004)

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

The overall paid compensation of the Executive Board in 2004 amounted EUR 788,961 and consisted of fixed components including social allowance and Company car leasing rates. Furthermore, in 2004 the Company paid Franz Richter EUR 37,500 and Stephan Schulak EUR 25,000 related to the accrued variable compensation being built at year end 2003.

Concerning the variable compensation for Stefan Schneidewind and Stephan Schulak EUR 88.891 were accrued and are expected to be paid in 2004. The variable compensation for Franz Richter is included in the accrual for personnel expenses.

Furthermore, 40,000 subscription rights were granted to Franz Richter and Stephan Schulak. Stefan Schneidewind received 13,333 subscription rights based on the proportion in 2004 where he was member of the Executive Board. The fair market value of each subscription right was EUR 2.6302 at the time they were granted.

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

	Dr. Franz Richter	Dr. Stefan Schneidewind	Stephan Schulak
Compensation			
Fixed	332,534	73,731	231,305
Variable	0	22,223	66,668
Total	332,534	95,954	297,973
Stock options			
Number of stock options	40,000	13,333	40,000
Exercise price	3.44	3.44	3.44

Furthermore, due to the subscription rights granted to Executives in 1999, 2000, 2001, 2003 and 2004, TEUR 477 were charged at the Holding to expenses. There was not any payment to the executives related to that.

For a former member of the Executive Board a pension reserve of TEUR 22 is built up as of 31 December 2004.

Supervisory Board

In fiscal year 2004, the members of the Supervisory Board were:

Dr. Winfried Süß, Munich, Chairman

Further assignment: ISiT, Itzehoe, (Curator)

Thomas Schlytter-Henrichsen, Kronberg/Taunus, CEO, Deputy Chairman

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

Further assignments: Ultimaco Safeware AG, Oberursel (Chairman Supervisory Board)
GITS AG, Bochum (Chairman Supervisory Board)

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

Further assignments: West Steag Partners AG, Essen (Member Advisory Council)
IZET, Itzehoe (Member Advisory Council)
Solid Energy, Itzehoe (Member Advisory Council)
Sensor Dynamics, Graz (Member Board of Directors)

Dr. Thomas Sesselmann, Tittmoning, CEO

Further assignments: Heidenhain Holding Inc., Wilmington, DE., USA (Member Board of Directors)
Heidenhain Holding K.K., Tokyo, Japan (Member Board of Directors)
Heidenhain K.K., Nagoya, Japan (Member Board of Directors)
SUMTAK Corporation, Tokio, Japan (Member Board of Directors)
ACU-RITE Companies Inc., Jamestown, NY, USA (Member Board of Directors)

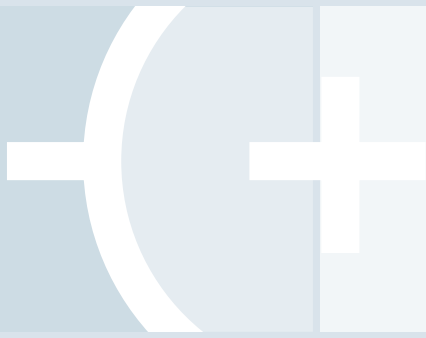
Dr. Christoph Schücking, Frankfurt/Main, Attorney at Law and Notary

Further assignments: Lambda Physik AG, Göttingen (Member Board of Directors)
Bankhaus B. Metzler seel. Sohn & Co. KgaA, Frankfurt a. M. (Deputy Chairman of Partner Council)
Kennametal Europe Holding GmbH, Fürth i. B. (Member Board of Directors)
Kennametal Hertel Europe Holding GmbH, Fürth i. B. (Member Board of Directors)
Freundenberg & Co., Weinheim / Bergstraße (Member of Partner Council)

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

Shares and options of the executive bodies at year end 2004:

	Shares	Options
Dr. Franz Richter	400,000	145,000
Dr. Stefan Schneidewind	0	35,648
Stephan Schulak	0	80,286
Dr. Winfried Süß	1,025,000	0
Thomas Schlytter-Henrichsen	6,909	0
Dr. h.c. Horst Görtz	3,894	0
Prof. Dr. Anton Heuberger	0	0
Dr. Christoph Schücking	500	0
Dr. Thomas Sesselmann	0	0



CONSOLIDATED FINANCIAL STATEMENTS

VI.6 EMPLOYEES

In 2004, the Company employed on average 733 people (2003: 737).

Year End numbers:

	2004	2003
Administration	106	104
Sales and marketing	239	236
Operations	386	376
Total	731	716

The companies consolidated at equity had 0 (2003: 15) staff members.

VI.7 CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board of SUSS MicroTec AG disclosed in December 2004 the required declaration concerning the German Corporate Governance Codex (version 4 Jul 2003) which is continuously available on the webpage of the Group (www.suss.de).

VI.8 DISCLOSURES FOLLOWING GERMAN LAW § 160 NR. 8 AKTG

Julius Baer Multistock, 69, route d'Esch, L-1470 Luxembourg, informed the Company on March 9, 2004, that Julius Baer Multistock, Luxembourg, fell short of 5 % and owns now 4.79 % of the Company.

Julius Baer Multistock, 69, route d'Esch, L-1470 Luxembourg, informed the Company on February 1, 2005, that Julius Baer Multistock, Luxembourg, owns 5.01 % of the Company.

Garching, Mar 15, 2005

The Executive Board

Dr. Stefan Schneidewind

Stephan Schulak

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by the SUSS MicroTec AG, Garching, for the business year from January 1, 2004 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (US-GAAP) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations 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 it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

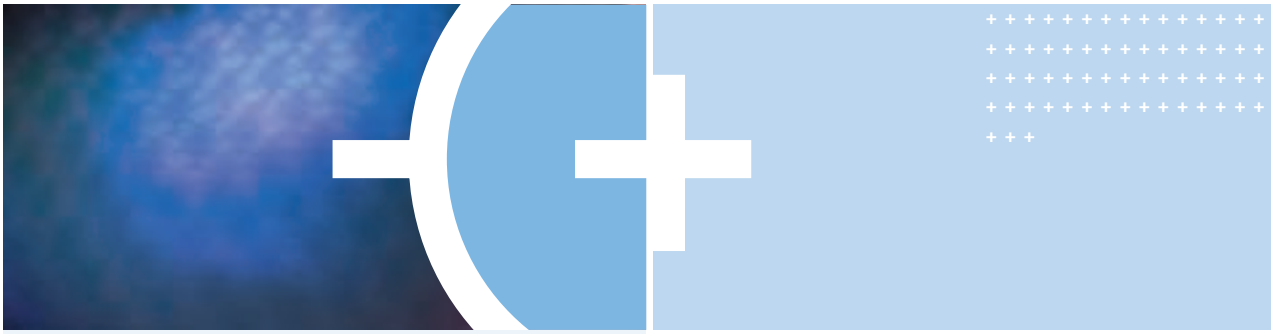
In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results operations and cash flows of the Group for the business year in accordance with Accounting Principles Generally Accepted in the United States of America.

Our audit, which also extends to the group management report prepared by the Company's management, which is combined with the management report of the parent Company, for the business year from January 1, 2004 to December 31, 2004 has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1, 2004 to December 31, 2004 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, March 17, 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Braun	Querfurth
Wirtschaftsprüfer	Wirtschaftsprüfer



GLOSSARY

300MM TECHNOLOGY

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

ADVANCED PACKAGING

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

ATOM

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

BACKEND

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

BIOCHIP

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

BLUETOOTH

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

BONDING

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

BUMP

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

CHIP

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

CLUSTER

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

COMPOUND SEMICONDUCTOR

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

COST OF OWNERSHIP (CoO)

This assesses acquisition and operating costs as well as costs of the clean room space utilized, wear and tear, and maintenance of the machines. These costs are then calculated in relation to the proportion of functioning components at the end of the production process. The higher the output of perfect chips, the better the “cost of ownership” of the machines for the customers. An outstanding CoO is greatly significant, especially in mass production.

C4NP

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

DIE

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

DRAM

Dynamic Random Access Memory. The most widespread chip worldwide.

FAB

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

FLIP-CHIP BONDING

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



FOUNDRY

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

FRONTEND

Frontend processes are the production steps to produce the chips themselves on the wafer. This is where the chip itself is made. Back-end 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 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) is a collective term comprising a broad range of technologies, which deal with structures and processes in spatial dimensions ranging from one up to several hundred nanometers. One nanometer is the billionst part of one meter (10⁻⁹ m) and defines a border range where the typical dimensions of a single molecule are found. Nanotechnology is a stringent continuation and expansion of microtechnology mostly pursued by disruptive approaches. The tasks of nanotechnology comprise the creation of materials and structures in the nanometer range.



GLOSSARY

NANOIMPRINTING

is 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 extreme 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 laptops and cellphones, 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.

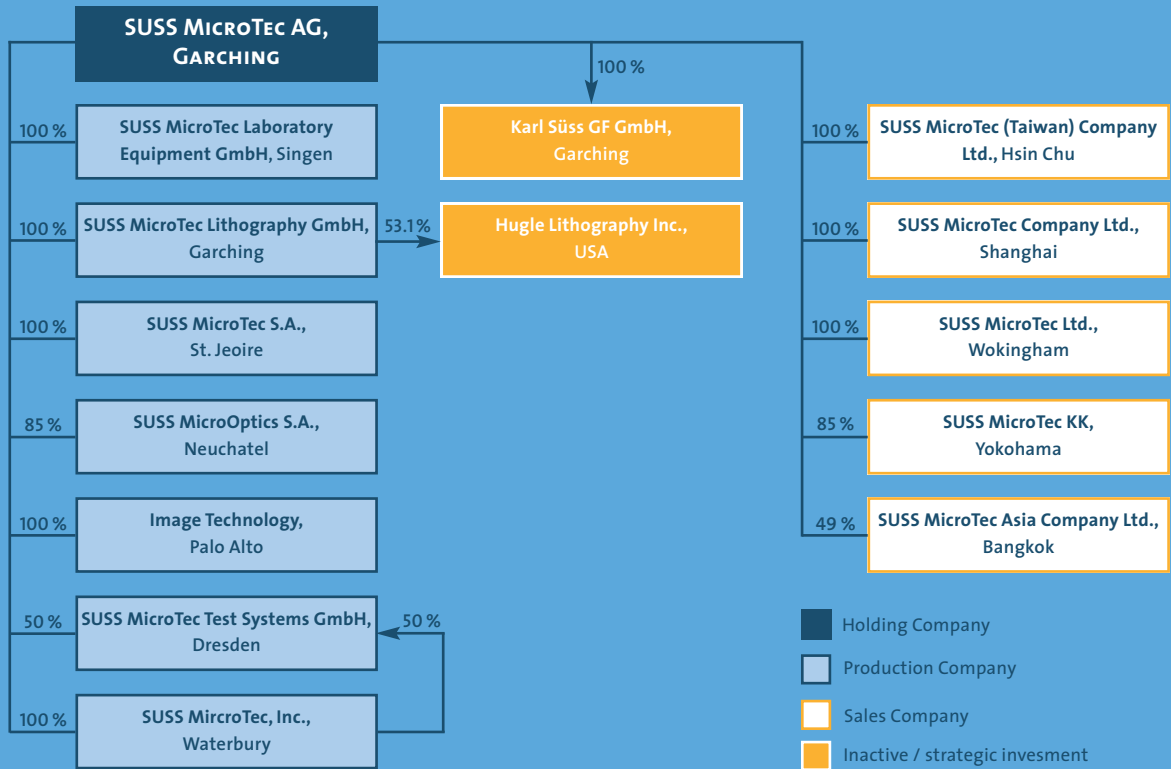
WIRELESS LAN

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 cellphone 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.

SUSS MicroTEC AG HOLDING STRUCTURE



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

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IMPRINT

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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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