GROUP MANAGEMENT REPORT

and Management Report of SUSS MicroTec AG for the 2009 Fiscal Year

BUSINESS AND GENERAL CONDITIONS

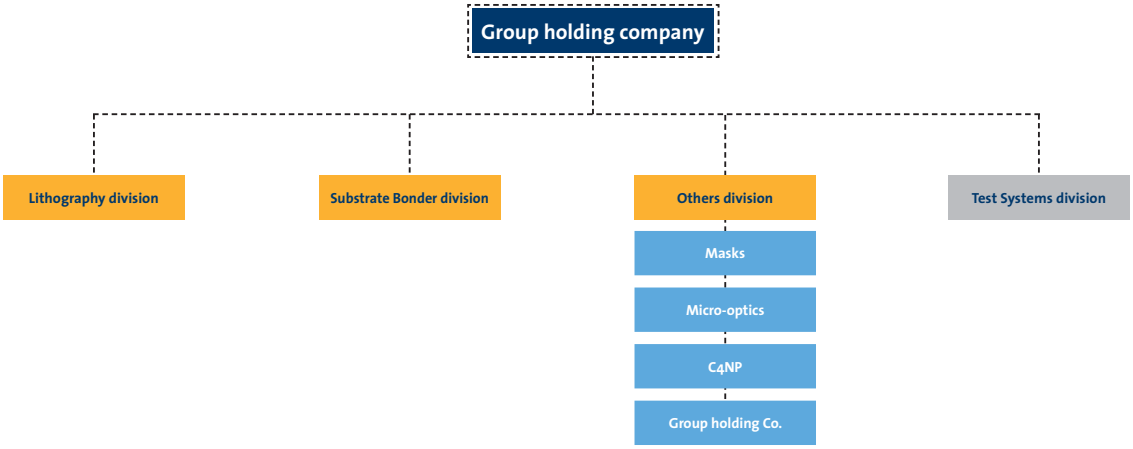
Group Structure and Business Activities

Business Activities and Divisions

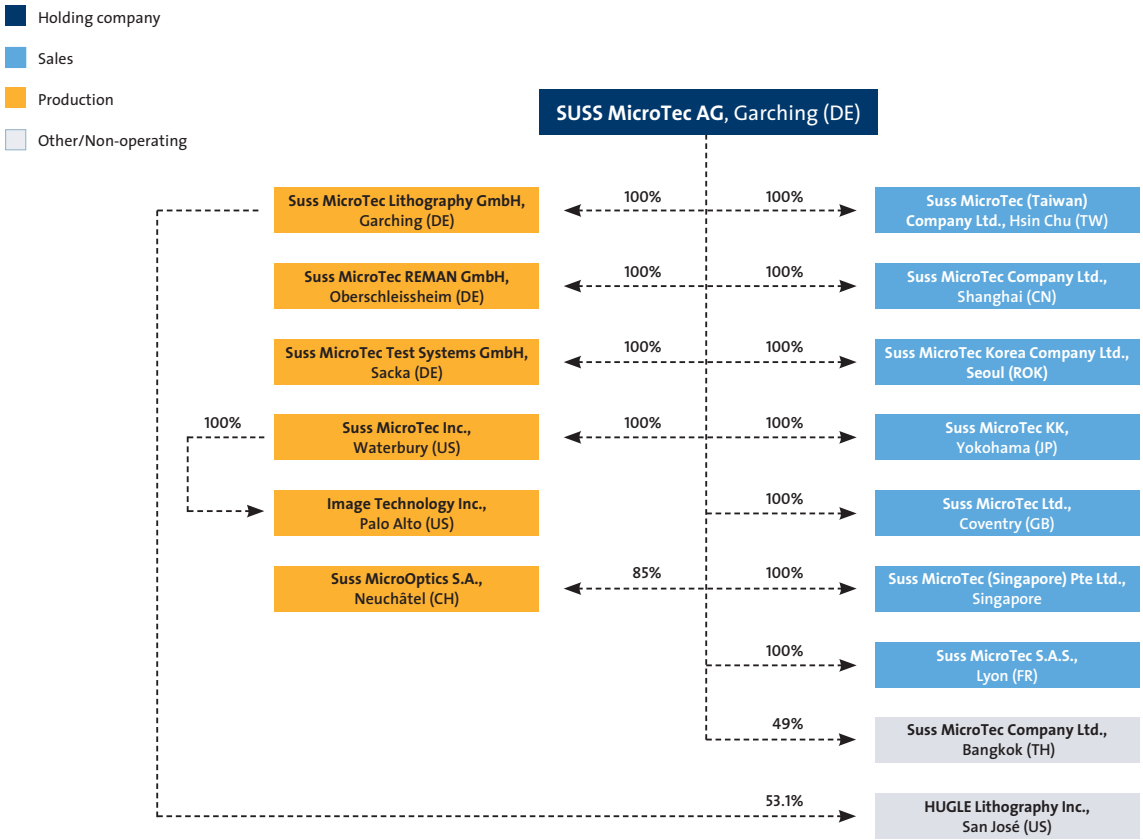
The SUSS MicroTec Group develops, manufactures, and markets equipment for the production of microelectronics and microelectromechanical systems. As a supplier of system solutions for semiconductor technology, the Group operates as a high-performance partner of the semiconductor industry for the laboratory and production areas. Special markets with strong growth form the main areas of activity and promote the innovative development of technologies with long-term potential for success in future-oriented markets and applications. The main focus here is on the microchip architecture and connection technology for applications in chip manufacture, telecommunications, and optical data transfer.

Larger process lines are typically comprised of several individual tools, where the Group creates and utilizes networks with internal and external partners in order to establish competitive advantages.

As of December 31, 2009 the Group is comprised of four divisions, with the Others division composed of several smaller sub-units each managed separately. The following management report incorporates both the continuing and discontinued operations of the Group in the analysis. The discontinued operations of the 2009 fiscal year include the Test Systems division, which SUSS MicroTec AG divested on January 27, 2010.



Legal Structure of the Group



The legal structure of the Group consists of the proprietary company, SUSS MicroTec AG, as the management and financial holding company, as well as the subsidiaries, in which case the proprietary company typically holds the majority interest. The development and production activities as well as the local sales activities for the Group are each organized within the subsidiaries. The Group has locations in Germany, the United States, England, France, Switzerland, Japan, China, Singapore, Korea, Thailand, and Taiwan.

In addition, minority interests in the following companies still exist:

- 10% Zentrum für Technologiestrukturentwicklung, Glaubitz (Germany)
- 10% ELECTRON MEC S.R.L., Milan (Italy)

These minority interests are insignificant for the operational business as well as the earnings, assets, and financial position of the Group.

Management and Control

Personnel Changes in the Management and Supervisory Boards

On February 1, 2009, Mr. Frank Averdung assumed the position of Chief Executive Officer of SUSS MicroTec AG. He was appointed to the Company's Management Board by resolution of the Supervisory Board on November 25, 2008. The former managing director of Carl Zeiss SMS GmbH, Jena, Germany, takes on the responsibility of the sales, marketing, production, work safety, research and development, patents, quality management, environmental protection, and Group strategy areas.

Mr. Christian Schubert, who had been appointed as an interim member of the Management Board on October 2, 2008, resigned from the Management Board upon the end of his appointment on May 31, 2009. During the fiscal year, Michael Knopp's contract was extended for an additional five years until July 31, 2015.

At the conclusion of the ordinary Shareholders' Meeting on June 24, 2009, Dr. Franz Richter relinquished his position as Chairman and member of the Supervisory Board. His resignation was the consequence of potential conflicts of interest, which might have arisen from his function as Chairman of the Supervisory Board of SUSS MicroTec AG and Chief Executive Officer of Thin Materials AG, Eichenau, Germany, after both companies entered into a cooperative agreement in the past fiscal year although SUSS MicroTec did not rule out additional cooperative agreements in the area of thin wafer handling. Mr. Sebastian Reppegather was elected as successor for the remainder of Dr. Franz Richter's original term. Dr. Richter had served in office since June 19, 2008.

Remuneration Structure for Officers

The Management Board receives both a monthly fixed salary and variable remuneration for its activities. The latter is paid when individually determined targets are reached. The fixed pay includes fringe benefits in the form of a company car with the option of private use and allowances for health insurance as well as for a voluntary retirement insurance. The amount of the fixed pay is first and foremost determined by the roles and responsibilities assigned. Moreover, pension commitments have been made to members of the Management Board in the form of direct insurance. In addition to these fixed and variable remuneration components, the members of the Management Board also receive a third, stock-based remuneration depending on the long-term success of the Company. This consists of stock options in accordance with the respective stock option plan in effect.

The remuneration of the Supervisory Board is set out in Section 13 of the articles of incorporation of SUSS MicroTec AG. In accordance with Section 13 of the articles of incorporation, the members of the Supervisory Board receive the following remuneration. In addition to the reimbursement of expenses and meeting attendance compensation of € 1,500.00 per meeting, every member of the Supervisory Board receives fixed remuneration geared toward his/her responsibilities and the extent of the member's activities. According to this, the Chairman of the Supervisory Board receives € 45,000.00; the Deputy Chairman receives € 40,000.00, and a regular member of the Supervisory Board receives € 35,000.00 per fiscal year as fixed compensation.

Corporate Control, Objectives, and Strategy

Corporate control is geared particularly toward the order entry, sales, and order backlog of the individual divisions. The performance of the divisions is, thus, measured above all by observing the development of the gross profit margin (sales less manufacturing costs) as well as the division earnings. The presentation of the division earnings now also includes income and expenses from foreign currency translation and asset disposals. Altogether, the division earnings are in line with the Group's operating income (EBIT).

Another key control figure is the net cash position (cash plus securities less financial debt). This represents a significant key control figure for the holding company's financing function.

SUSS MicroTec pursues the strategy of occupying lucrative niche markets in the industry of semiconductor suppliers. The goal is to operate in the relevant markets by way of its clear positioning among the top three suppliers at all times. Partnerships with leading institutes and companies within the industry should ensure that significant trends and promising technologies are always identified early on and that the potential for SUSS MicroTec is examined. Organic growth is at the center of focus. External growth is also considered in the case of interesting technologies and sensible complementary products.

Research and Development

The systematic development of equipment and processing solutions as well as standardization across products remain important elements of corporate strategy, which is designed to increase the market shares of SUSS MicroTec's divisions in their target niches over the short, medium, and long term or to tap into new fields of business.

The significant new products and developments of the respective divisions and sub-units are presented and explained in the following.

Lithography

The 2009 fiscal year saw the market launches not only of the ACS300 Gen2, a refinement of the highly successful ACS300Plus Coater and Developer Cluster, but also of the newly developed MO Exposure Optics illumination system.

The second generation of the ACS300 was specially developed in terms of system architecture and process modules for applications such as advanced packaging and 3D integration. The modular system for the coating, baking, and developing of wafers up to a diameter of 300mm is particularly suitable for applications such as solder bumping and gold bumping as well as redistribution layer processes given its capacity to process extremely thick photoresist layers. Compared to its predecessor, the ACS300Plus, the Cluster refinement has the highest coating and developing conformance currently available in the market as well as a combination of enhanced efficiency and a smaller footprint.

Among the new technologies that SUSS MicroTec added to the product portfolio in the past fiscal year was the patented MO Exposure Optics, a new illumination system which can be retrofitted to all generations of SUSS MicroTec's manual and automated Mask Aligner systems. This optical technology, which was developed jointly with the Group subsidiary SUSS MicroOptics in Neuchâtel (Switzerland), is based on high-quality micro optics (microlens arrays), which enable improved resolution and depth of field as well as outstanding uniformity in mask illumination.

Substrate Bonder

In the 2009 fiscal year, SUSS MicroTec AG concluded a total of four development cooperation agreements in the area of 3D integration. In addition to 3M and Thin Materials AG, new partners from the fields of industry and research include the Belgian research center for nanoelectronics and nanotechnology IMEC and the Taiwan-based Industrial Technology Research Institute (ITRI). The focus of the cooperation is on the joint development of permanent and temporary bonding and debonding processes as well as the manufacture of through-silicon vias for three-dimensional system integration. These cooperative agreements drive the primary development activities of the Substrate Bonder division. The ultimate objective of SUSS MicroTec's development activity is to offer a Bonder platform based on the XBC300 Production Bonder suitable for equally implementing processing solutions developed by various partners.

C4NP

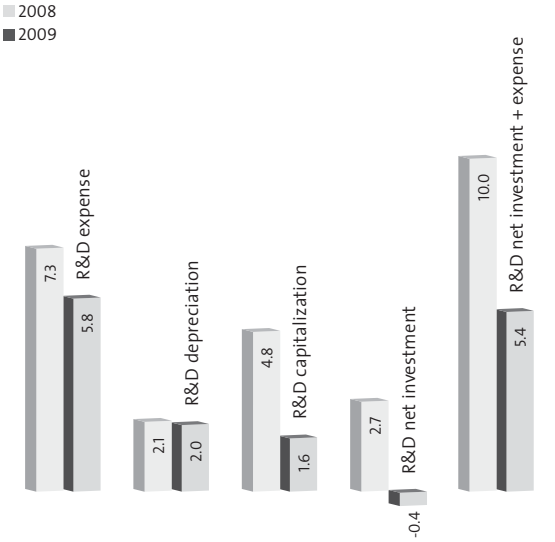
In the 2009 fiscal year, the last two systems that were still outstanding were delivered to the IBM development partner and successfully implemented. In the process, development services in the scope of the C4NP project were completed.

The total expenses for research and development from continuing and discontinued activities declined compared with the previous year from € 7.3 million to € 5.8 million. Write-downs on capitalized development costs in the year under review include impairments of € 0.4 million (previous year: € 8.8 million), which are to be allocated to discontinued activities of the Test Systems division. In the previous year, the majority of impairments totaling € 8.0 million pertained to the C4NP project. In addition, in the previous year, the capitalized development costs worth € 0.7 million and € 0.1 million had to be impaired in the Substrate Bonder and Test Systems divisions, respectively. In contrast to previous years, write-downs for capitalized development projects exceeded the capitalization amount. While in the previous year, there was a net gain in the statement of income of € 2.7 million, during the 2009 reporting year there was a net loss of € 0.4 million.

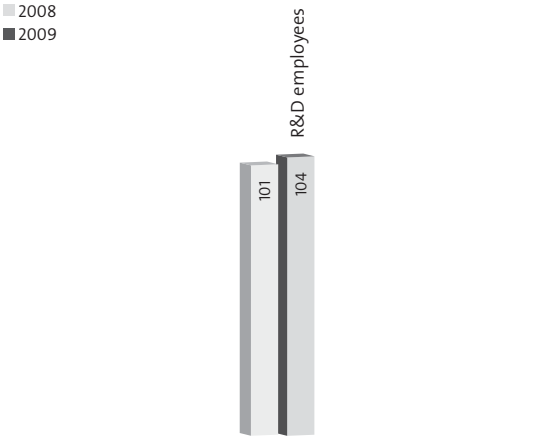
The figures in the table reflect both continuing and discontinued activities. Impairments are not included.

R&D Expenditure Compared with the Previous Year

in € million



Annual Average of R&D Employees



Overview of the Business Development

Overall Macroeconomic Conditions

In the last two years, the financial markets and the entire global economy have been knocked out of equilibrium and plunged into a crisis more extreme than anything seen in the past sixty years. According to the World Trade Organization (WTO), in 2009, global trade recorded its sharpest decline since the end of World War II. The trade of goods and services fell from the previous year by 12.0%. According to the WTO, world gross domestic product declined in 2009 by 2.2% in comparison with the previous year. The decline was primarily a result of the global economic crisis in the industrialized countries.

After the global economic climate according to the Ifo World Economic Survey fell to its lowest point in twenty years in the first quarter of 2009, the global economic climate indicator rose slowly in the following three quarters of the year. This trend reflects support from government stimulus programs that have been put into place worldwide. For 2010, the International Monetary Fund (IMF) now expects global economic growth of 3.9%. For the eurozone, an increase of 1.0% is anticipated. At the same time, the organization called attention to the dangers of a globally unsynchronized phase-out of fiscal and monetary stimulus programs as well as the lingering fragility of the financial system, which could easily lead to reversals in global economic performance.

Despite stimulus measures, the German economy declined significantly in 2009. The change in price-adjusted gross domestic product (GDP) was sharply negative at -4.8% and reflected a continued downward trend from 2008 (1.3%) and 2007 (2.5%). For the German economy, the DIW is now forecasting growth of 2.1% in 2010 and 1.8% in 2011.

Industry-specific Conditions

According to the Semiconductor Industry Association (SIA), in 2009, the semiconductor sector posted a sales decline of 9.0% to US$ 226.3 billion (2008: US$ 248.6 billion). However, the sector's performance over the entire year turned out better than expected at the beginning of the year. After plunging in 2008, the sector bottomed out in the first quarter of 2009, according to the market research institute Gartner. In the next three quarters, sales began to rise again steadily. Inventory replenishments and strong demand for PCs, cellular telephones, and consumer electronics contributed particularly in the fourth quarter of 2009 to an improvement in the year's overall performance.

The German Electrical and Electronic Manufacturers' Association (ZVEI) has stated that the German semiconductor market posted a sales decline of approximately 22% to € 7.2 billion in 2009. The cause was attributed to lower sales in the key automotive and industrial electronics sectors as well as information technology as a result of the global economic crisis.

Company Development

As already forecast in the beginning of 2009, the Company experienced a significant decline in both order entry and sales in the past fiscal year, reflecting economic and industry-specific conditions. Excluding the discontinued Test Systems division, the SUSS MicroTec Group generated sales of € 103.9 million, falling short of the previous year's level of € 121.5 million by 14.5%. Order entry in the continuing activities fell compared with the previous year by 18.5% to € 96.3 million (previous year: € 118.2 million).

Despite the significant reduction in sales, the Company was able to achieve positive earnings before interest and taxes (EBIT) of € 2.8 million in the 2009 fiscal year within the continuing operations. In the previous year, extraordinary expenses of € 17.2 million had a major impact on EBIT, which came in at € -8.7 million. In order to achieve this goal, the Company began to implement both operational and structural measures as early as the second half of 2008. These measures were continued systematically in 2009. As early as the beginning of the year, the SUSS MicroTec Group's significantly improved liquidity reflected the initial success of these measures. Cash and securities amounted to € 31.1 million at the end of the fiscal year after € 24.4 million in the previous year. Net liquidity increased significantly by the end of 2009, coming in at € 18.4 million (previous year: € 9.4 million). The free cash flow before consideration of available-for-sale securities came to € 8.9 million as of the end of the 2009 fiscal year (previous year: € 1.9 million).

As of December 31, 2009, the order backlog from continuing operations amounted to € 57.0 million (previous year: € 65.1 million).

The ratio of newly received orders to realized sales (book-to-bill ratio) in 2009 was 0.93 for continuing operations after 0.97 in the previous year.

Sales and Orders Position by Region

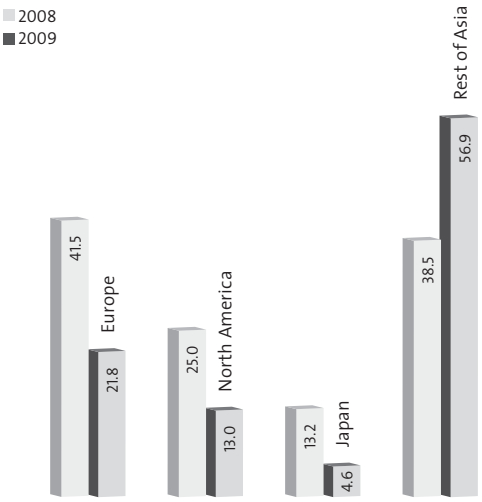
Europe, North America, and Asia are important regions of the world for SUSS MicroTec's business. Asia is divided into Japan and "Rest of Asia" in order to account for the fact that most of the Company's customers in the advanced packaging market are located outside of Japan, particularly in Taiwan. This market is also more susceptible to fluctuation than those for compound semiconductors, MEMS, and testing tools.

Order Entry by Region

With the exception of Asia, all regions were affected by sharp declines in orders in the 2009 fiscal year. In **Europe**, order entry from continuing operations fell by 47.5% to € 21.8 million after € 41.5 million in the previous year. The **North America** region, excluding the discontinued Test Systems division, recorded order entry of € 13.0 million in 2009, falling short of the previous year's level of € 25.0 million by approximately 48.0%.

While the region of **Japan** produced the sharpest decline in orders of 65.2% to € 4.6 million after € 13.2 million in the previous year, the SUSS MicroTec Group recorded an increase in orders of 47.8% to € 56.9 million after € 38.5 million in the previous year in the region of **Asia** (excluding Japan). The positive development was above all attributable to renewed demand from Taiwanese advanced packaging customers in the second quarter of 2009. After their reluctance to invest in the second half of 2008, these customers placed several significant orders for lithography equipment, particularly Coater systems.

Order Entry by Region (Continuing Operations) in € million

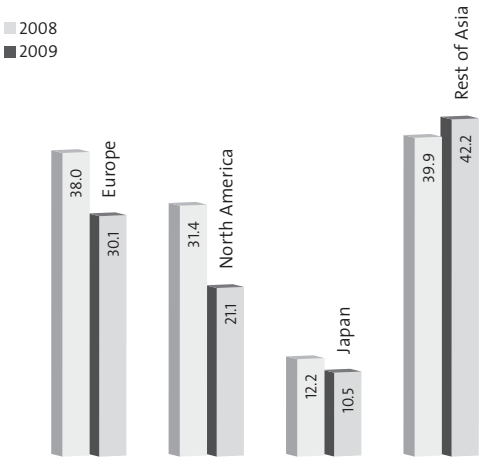


Sales by Region

The distribution of sales by region looks similar to the distribution of orders. The **Asia** region achieved an increase in sales from continuing operations of 5.8% to € 42.2 million (previous year: € 39.9 million), but this was not enough to offset lower sales in the other regions.

In **Europe**, sales fell by 20.8% to € 30.1 million after € 38.0 million in the previous year. The **North America** region recorded the sharpest decline from the previous year of 32.8% to € 21.1 million (previous year: € 31.4 million), while sales from continuing operations of € 10.5 million in the Japan region were just 13.9% lower than in the previous year (previous year: € 12.2 million).

Sales Development by Region (Continuing Operations) in € million



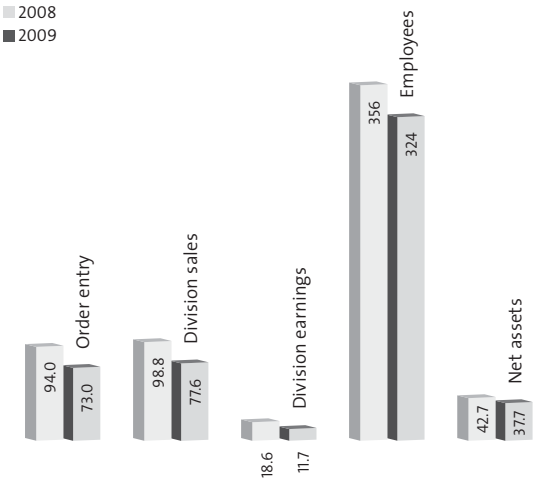
Business Development in the Individual Divisions

Lithography

The Lithography division includes the development, manufacture, and sale of the Mask Aligner, Developer, and Coater product lines. These product lines are developed and produced in Germany at the locations in Garching near Munich and Vaihingen an der Enz. In addition, important parts of the sales organization in North America and Asia operate for this division. Lithography is the SUSS MicroTec Group's core business with a sales share of approximately 75% of the continuing operations. The product lines address the MEMS, compound semiconductor, advanced packaging, and 3D integration markets.

In the 2009 fiscal year, the Lithography division recorded significant declines in order entry and sales compared to the previous year. The primary reason for this was reluctance to invest on the part of production clients. Order entry fell by approximately 22% from the previous year to € 73.0 million after € 94.0 million in 2008. Similarly, sales of € 77.6 million were approximately 22% lower than in the previous year (previous year: € 98.8 million). Weak demand particularly affected the Mask Aligner product line. The division earnings deteriorated by € 6.9 million or 37.1% to € 11.7 million. The gross profit margin of 44.4% did not change from the previous year.

Lithography Division Overview in € million

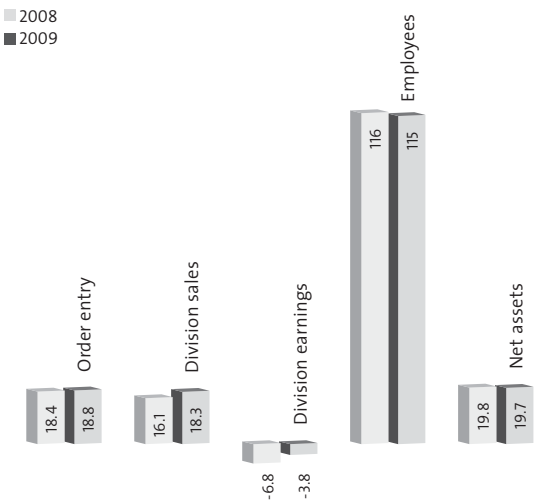


Substrate Bonder

The Substrate Bonder division includes the development, production, and sale of the Substrate (Wafer) Bonder product line at the Waterbury, Vermont (USA) site. The Bonder product lines are also sold outside of Waterbury via smaller units in Europe and Asia. Markets addressed by the Substrate Bonder systems include MEMS, compound semiconductors, and 3D integration.

The Substrate Bonder division generated encouraging growth both in order entry and sales in the 2009 fiscal year. Order entry rose by 2.2% from € 18.4 million in 2008 to € 18.8 million in 2009. Sales of € 18.3 million exceeded the previous year's figure of € 16.1 million by 13.7%. The reason for the division's positive development is the increasing importance of bonding equipment in the manufacturing process of future three-dimensional chip structures (3D integration) as well as the division's current and expanded product range. The previous year's division earnings, which were characterized by a total of € 3.9 million in extraordinary expenses, improved from € -6.8 million to € -3.8 million in 2009. Accordingly, the gross profit margin improved from 6.0% to 14.7%.

Substrate Bonder Division Overview in € million

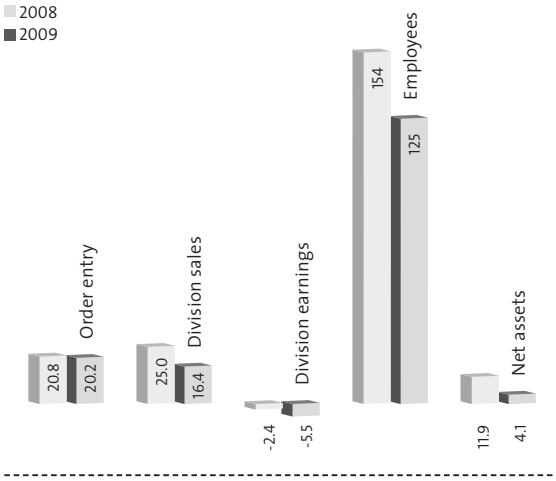


Test Systems

The Test Systems division encompasses development, production, and European sales. It is located in Sacka near Dresden, Germany. On January 27, 2010, the division was sold to the American competitor Cascade Microtech, Inc. Therefore, in the past fiscal year, it is presented under discontinued operations. The markets addressed by Test Systems include MEMS, compound semiconductors, and semiconductor engineering.

The Test Systems division generated sales of € 16.4 million in a persistently difficult market environment in 2009 after € 25.0 million in the previous year. The primary reasons for this were sustained competitive pressure posed by the main rival Cascade Microtech and the consequent pressure on the margins. Both factors had a negative impact on the division earnings, which declined by € 3.1 million to € -5.5 million compared with the previous year. It is that much more satisfying that the division achieved order entry of € 20.2 million, almost matching the previous year's level (previous year: € 20.8 million).

Test Systems Division Overview in € million



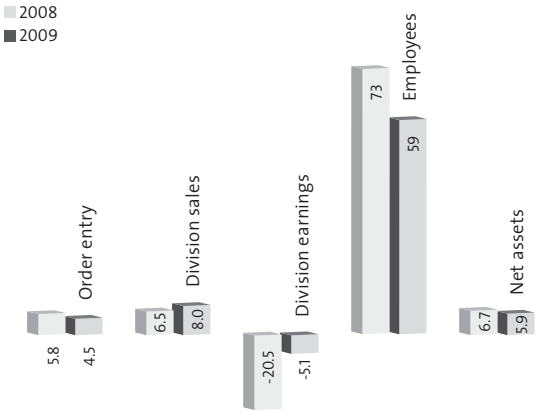
Others

The Others division includes the Mask business in Palo Alto, California (USA) that caters to the semiconductor industry and the Micro-optics activities at the Neuchâtel, Switzerland location as well as the C4NP business. The Others division, furthermore, includes costs for central Group functions that generally cannot be attributed to the main divisions.

The Micro-optics business performance trended slightly upward in the 2009 fiscal year. While order entry increased by 10.0% from the previous year to € 2.2 million, sales of € 1.8 million remained on the level the previous year. The sales contribution from the Mask business fell from € 3.7 million in the previous year to € 2.7 million. Order entry dropped by 40.5% to € 2.2 million. The poor performance of the Mask business could be traced to the persistently difficult market environment.

The previous year's division earnings, which were characterized by extraordinary expenses of € 12.9 million, improved from € -20.5 million to € -5.1 million.

Others Division Overview in € million



EARNINGS, ASSETS, AND FINANCIAL POSITION

Earnings Position

Despite the difficult market environment with sharply lower sales, SUSS MicroTec AG succeeded in achieving positive earnings before interest and taxes (EBIT) of € 2.8 million from continuing operations in the past fiscal year. In the previous year, continuing operations recorded an EBIT of € -8.7 million. However, this figure from the previous year was characterized by extraordinary expenses of € 17.2 million, equivalent to an adjusted EBIT of € 8.5 million.

Sales from continuing operations declined from € 121.5 million in the previous year to € 103.9 million in the reporting year. This corresponds to a drop of almost 15% and demonstrates that the global economic and financial crisis did not leave the SUSS MicroTec Group unscathed. Therefore, it is highly encouraging that the Substrate Bonder division succeeded in increasing sales from € 16.1 million in the previous year to € 18.3 million in 2009. C4NP also contributed sales of € 3.4 million in the past fiscal year (previous year: € 1.0 million), reflecting the acceptance of tools delivered to IBM. As a result, the Group no longer has any order backlog of C4NP tools.

In the reporting year, continuing operations generated a gross profit of € 38.8 million, which corresponds to a gross profit margin of 37.4%. Adjusting the previous year's gross profit of € 38.3 million for extraordinary expenses of € 12.4 million, this amounts to a decline of € 11.9 million. The adjusted gross profit margin in the previous year totaled 41.7%. Aside from the reduced sales level, the changed product mix was primarily responsible for the decline in gross profit and gross profit margin; the sales share of the relatively narrow-margined Substrate Bonder increased in the reporting year. In addition, the sale of the C4NP tools did not generate gross profit.

As a result of cost savings measures, both sales and administrative costs could be reduced significantly. Sales costs declined from € 20.4 million in the previous year to € 16.7 million, while administrative costs fell from € 16.8 million to € 13.9 million. In addition to the specified cost savings, lower commissions associated with reduced sales affected administrative costs. Research and development costs fell from € 5.7 million to € 4.9 million.

The financial performance improved from € -0.8 million in 2008 to € -0.1 million in 2009. The improvement was primarily attributable to reduced interest expense. Above all, this reflected an upward move in the market value of interest rate swaps.

The Group's income tax obligation of € 2.1 million was unchanged compared with the previous year. The disproportionately high income tax expense relative to pre-tax income is primarily the result of the inability to recognize deferred tax assets for loss carryforwards at SUSS MicroTec Inc. given the sustained negative earnings situation. In the previous year, tax expense was affected by a change in the recognizability of deferred tax claims of € 2.7 million.

The Group's continuing operations generated a net profit after taxes of € 0.5 million. This compares to a profit of € 5.6 million before consideration of extraordinary expenses of € 17.2 million in the previous year.

In the reporting year, the Group's discontinued operations generated earnings after taxes of € -5.4 million (previous year: € 2.3 million), which are exclusively allocated to the discontinued Test Systems division. The negative earnings after taxes reflect a loss from operating operations of € 0.8 million, a loss from the measurement of available-for-sale assets at fair value of € 4.7 million, and a positive income tax effect of € 0.1 million. The negative measurement effects are as follows: € 4.2 million for goodwill from the Test Systems division, intangible assets of € 0.4 million, and tangible assets from the discontinued division of € 0.1 million.

In the previous year, discontinued operations included winding down the Device Bonder division, although it had no material impact.

Overall, the Group generated earnings after taxes of € -4.9 million (previous year: € -13.9 million). Earnings per share amounted to € -0.28 after € -0.82 in the previous year.

Overall sales per employee declined compared to the previous year by 9.8% from € 214,000 to € 193,000.

Assets and Financial Position

The Group succeeded in expanding its net cash position from € 9.4 million in the previous year to € 18.4 million. The amount of cash and securities increased from € 24.4 million in the previous year to € 31.1 million at the end of the reporting year.

Accordingly, the already strong cash flow from operating activities in the previous year could be raised even higher. It climbed from € 9.4 million in the previous year to € 12.1 million at the end of the year under review. The increase was triggered by significant reductions in inventory reserves of € 8.3 million and accounts receivable of € 6.6 million. This was offset by customer down payments, which fell by € 6.7 million.

The reluctance to invest reflected in cash flow from investing activities continued to contribute to an improvement in the net cash position. Before consideration of available-for-sale securities of € 6.7 million (previous year: € 3.8 million), cash flow from investing activities totaled € -3.3 million after € -7.5 million in the corresponding period of the previous year.

Free cash flow before consideration of available-for-sale securities improved from € 1.9 million in the previous year to € 8.9 million in the past fiscal year. Therefore, the Company significantly exceeded its guideline that the operational business should generate sufficient free cash flow so that no additional need for liquidity should arise for the organic growth of the core business.

Free cash flow from financing activities totaled € -2.1 million in the past fiscal year (previous year: € 1.4 million). The repayment of bank loans of € 4.6 million by SUSS MicroTec KK in Japan was offset by inflows of € 3.0 million by SUSS MicroTec AG from the sale and leaseback transaction related to the introduction of SAP software.

Aside from cash and securities of € 31.1 million (previous year: € 24.4 million), the Group had domestic credit lines of € 9.0 million (previous year: € 3.0 million). As of the previous year's reporting date, written loan commitments of € 3.0 million had already been made available. The corresponding credit agreement was signed in April of the reporting year. In the first quarter, a third bank joined the Company's bank consortium and provided an additional credit line of € 3.0 million. The total credit line of € 9.0 million is not tied to financial covenants, and its term runs until March 31, 2010. The line was secured according to standard banking practice. In the reporting year, the line was utilized exclusively in the form of guarantees. Most of them involved down payment guarantees. As of the reporting date, utilization totaled € 2.4 million.

Overall, the Group has sufficient financial leeway to finance necessary product developments and other strategic activities.

In addition to goodwill, capitalized development costs primarily determine the noncurrent assets.

Goodwill declined from € 17.8 million as of the previous year's reporting date to € 13.6 million, and it is exclusively allocated to the Lithography division. The reduction of € 4.2 million resulted from the reclassification of goodwill to available-for-sale assets related to discontinued operations in the Test Systems division.

Capitalized development costs also declined in the reporting year. As of the reporting date, they still totaled € 9.3 million after € 10.3 million in the previous year. As with goodwill, the Test Systems division's item for capitalized development costs of € 0.4 million was reclassified to available-for-sale assets. Notwithstanding this reclassification, the amortization of capitalized development costs exceeded capital expenditure, which led to a corresponding charge in the statement of income in 2009. Capitalized development costs as of the reporting date were composed of € 3.3 million (previous year: € 3.5 million) for the Lithography division and € 6.0 million (previous year: € 6.5 million) for the Substrate Bonder division.

In addition, noncurrent assets included licenses and patents of € 4.5 million (previous year: € 4.8 million), including the leased SAP licenses. The residual book value of € 4.5 million was composed of € 0.8 million (previous year: € 1.5 million) for the Lithography and Substrate Bonder divisions and € 3.7 million (previous year: € 3.3 million) for the Others division.

Tangible assets are less significant for the assets position of the Group, as it does not typically rely on cost-intensive production equipment. As a result of restrictive investment policies in the reporting year, tangible assets declined from € 5.4 million as of the previous year's reporting date to € 4.1 million as of the 2009 reporting date. € 0.3 million of the drop was attributable to the reclassification of tangible assets in the Test Systems division to available-for-sale assets.

Deferred tax claims were reduced by € 1.3 million, primarily as a result of lower temporary differences in the area of inventory reserves, and amounted to € 7.8 million as of the reporting date.

Similarly, current assets were reduced significantly. They declined from € 105.0 million as of the previous year's reporting date to € 96.5 million. This decline was primarily driven by inventories and accounts receivable. The former fell from € 54.6 million as of the previous year's reporting date to € 40.8 million. The decline of € 4.5 million was partially attributable to the reclassification of inventories in the Test Systems division to available-for-sale assets. In addition, the Group's efforts to reduce inventories – facilitated by the introduction of SAP software – had a noticeable positive impact. Accounts receivable decreased from € 23.1 million to € 14.8 million. € 2.0 million of this item was reclassified as available-for-sale assets. Accounts receivable showed signs not only of lower sales, but also efficient receivables management.

Reflecting discontinued activities in the Test Systems division, the Group shows available-for-sale assets as of the reporting date of € 7.5 million (previous year: € 0.0 million). The composition of this item is explained in the Notes. The reclassified assets are measured at fair value less costs of disposal. Fair value was derived from the selling price of the Test Systems division. Total write-downs of € 4.7 million were made. Of this amount, € 4.2 million pertained to goodwill from the Test Systems division, € 0.4 million to intangible assets, and € 0.1 million to tangible assets.

Customer down payments decreased from € 19.4 million as of the previous year's reporting date to € 12.6 million.

As in line with the process on the assets side of the ledger, the Group also presented available-for-sale liabilities on the equity and liabilities side. As of December 31, 2009, they totaled € 2.4 million (previous year: € 0.0 million) and are explained in more detail in the Notes.

The equity ratio rose as a result of lower total assets from 59.0% in the previous year to 63.1%.

Summary Statement on the Business Position

In summary, SUSS MicroTec achieved positive EBIT from continuing operations of € 2.8 million in the reporting period despite almost 15% lower sales. The decline in sales and gross profit margins caused by the difficult market environment was successfully offset by significant savings in sales and administrative costs.

As a result of a significantly enhanced net cash position of € 18.4 million (previous year: € 9.4 million), the Group has sufficient financial leeway to promote new product developments and finance other strategic activities.

Capital Expenditure

Due to the structure of the Company, investments in tangible assets are not a significant component of its development. Fundamental value is added through the design, assembly, and alignment of components, as well as the corresponding software management. No special equipment or tools are needed for these activities.

It is assumed that the investments in tangible assets will be within the range of approximately 1% to 2% of sales in the long term. The only exceptions are the Masks and Micro-optics product lines included in the Others division. Both cases involve small-scale production, which requires the appropriate production tools. Investments in these areas lead directly to a significant rise in the Group's tangible asset investments.

The larger portion of investments is to be allocated to intangible assets given the capitalization requirement in place with certain preconditions according to IFRS. The dominant project in the reporting year was the expansion of the product range in the Substrate Bonder division. In the long term, the Company assumes that approximately 15% to 25% of research and development expenditure will be capitalized. The remaining amount will be recorded as expenses.

In the past fiscal year, preparations were made for the continued roll-out of the SAP ERP System, which was successfully introduced at the first Group subsidiaries in the previous year. Within the scope of the project, investments of approximately € 2.0 million will be made in software and hardware over the next two to three years. The project has an overall volume of € 5.0 million. Of this amount, € 3.0 million could be refinanced through a sale and lease-back transaction during the reporting year.

The Holding Company – SUSS MicroTec AG

The holding company is responsible for the steering and management of the SUSS MicroTec Group. One of its tasks is the strategic orientation, for example the expansion of the product portfolio, acquisitions, and financial issues for the Group as a whole. The holding company is also responsible for corporate identity, investor relations, and marketing. Furthermore, the holding company assumes the financing of strategically important development projects of the operating subsidiaries.

SUSS MicroTec AG is generally the sole shareholder of the companies included in the consolidated financial statements. The holding company has only provided loans to subsidiaries. The earnings position of the holding company as an individual company is not directly dependent on the development of the Company's markets. The holding company primarily refinanced by allocating costs to the operating companies, through interest income from loans to subsidiaries, and through existing profit and loss transfer agreements.

Presentation of the Key Financial Figures of the Holding Company

Company	SMT AG (HGB)			
in € thousand	2009	2008	Change	in%
Annual net loss	-18,030	-406	-17,624	<-100%
Shareholders' equity	78,623	96,400	-17,777	-18%
Total assets	110,694	119,623	-8,929	-7%
Equity ratio in%	71%	81%		
Fixed assets	76,501	95,881	-19,380	-20%
...% of total assets	69%	80%		
Current assets	34,193	23,742	10,451	44%
...% of total assets	31%	20%		

Significant Changes in the Assets and Financial Position

Intangible assets increased in the past fiscal year by € 0.5 million and amounted to € 3.7 million as of the reporting date. The increase resulted primarily from the acquisition of intellectual property in the area of thin wafer handling valued at € 0.9 million. Amortization had the opposite effect.

Shares of affiliated companies declined in the reporting year by € 18.8 million and amounted to € 61.2 million as of the reporting date. The reasons for this decline are explained subsequently within the significant events with influence on the earnings position of the holding company.

The decline in loans to affiliated companies resulted from scheduled repayments of € 1.9 million. Increases in loans of € 0.8 million to SUSS MicroTec Inc. and of € 0.1 million to SUSS MicroTec Singapore had the opposite effect.

Current receivables from affiliated companies rose by € 2.6 million. The rise in current receivables is primarily attributable to an increase in short-term loans to SUSS MicroTec Inc. and SUSS MicroTec KK.

SUSS MicroTec AG continued to expand its liquidity position in the year under review. Along with the successful refinancing of the SAP project for € 3.0 million, this was primarily the result of the positive free cash flow of the subsidiaries associated with the corporation via Group cash pooling. The improved liquidity position can be seen in both the rise in deposits with banks of € 1.1 million and the acquisition of securities totaling € 6.3 million. The securities concerned are essentially corporate and government bonds with an investment grade rating.

Liabilities to associated companies increased in the year under review, from € 11.2 million as of the previous year's reporting date to € 18.1 million. This rise was primarily the result of the positive development of the financial position at SUSS MicroTec Lithography GmbH. The cash flows resulting from this were transferred to bank accounts of SUSS MicroTec AG via the existing cash pooling.

Liabilities to banks remained unchanged over the course of 2009 and still exist from the promissory note bond due in December 2012.

The change in shareholders' equity (€ -17.8 million) is the result of the annual net loss for the fiscal year (€ 18.0 million) and the allocations to capital reserves (€ 0.2 million) due to existing stock option plans.

Significant Events with Influence on the Earnings Position of the Holding Company

In the annual financial statements of SUSS MicroTec AG under commercial law, a net loss of € 18.0 million was generated in the 2009 fiscal year (previous year: net loss of € 0.4 million).

As a result of the existing profit and loss transfer agreement with SUSS MicroTec Test Systems GmbH, Sacka (Germany), € 0.8 million was recognized as a loss at the holding company (previous year: loss of € 2.0 million). The profit and loss transfer agreement with SUSS MicroTec Reman GmbH, Oberschleissheim (Germany), concluded in the 2008 fiscal year resulted in income of € 0.1 million at the holding company (previous year: € 0.6 million).

Other operating income primarily includes foreign currency gains totaling € 1.3 million (previous year: € 3.1 million).

The decline in other operating expenses can be primarily traced to the absence of continued charges for development services in the scope of the C4NP project. In the previous year, these continued charges totaled € 0.7 million. Foreign currency losses sank further by € 1.1 million to € 1.3 million. In addition to foreign currency losses, other operating expenses primarily included legal and consulting fees of € 0.8 million (previous year: € 0.9 million) and contributions of € 0.6 million (previous year: € 0.1 million). The increase in contributions results from a cooperative agreement between the Company and the IMEC research institute in the area of wafer bonding solutions for 3D integration applications.

Earnings from shareholdings of € 0.4 million (previous year: € 2.7 million) include payouts of the subsidiary SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan.

The reporting year saw continued write-downs on financial assets, which totaled € 18.8 million. Most of these write-downs, specifically € 13.5 million, related to the shares of SUSS MicroTec Inc. A reason for their write-down was an increase in the risk-adjusted discount rate, which underlies the discounted cash flow-based valuation model for financial assets. In addition, positive liquidity effects from the change in working capital declined significantly compared with the previous year. Furthermore, it is worth noting that the Company's debt increased during the reporting year and the sales guidance for the fiscal year to come was reduced.

Another part of the write-downs, specifically € 3.3 million, pertained to the write-down of the shares of SUSS MicroTec Test Systems GmbH, Dresden. This write-down was necessitated by the sale of this company in January 2010. The write-down to fair value is based on the actual purchase price.

The Group budget provides for a significant decline in sales at SUSS MicroTec KK, Japan, in 2010. This decline is being driven by the reluctance of Japanese customers to order tools given the manufacturing environment. Accordingly, the model used to conduct an impairment test on financial assets indicates a write-down of the valuation of the share in this company amounting to € 1.9 million.

As a result of the relocation of "Rest of Asia" sales operations from Bangkok to Singapore, SUSS MicroTec AG is currently winding down its investment in SUSS MicroTec Company Ltd., Thailand. In this context, the shares in this company were written down by € 0.1 million.

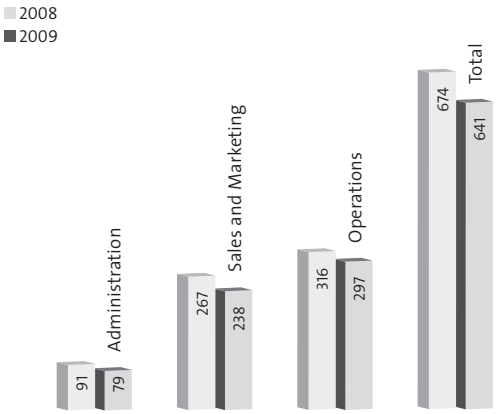
In the previous year, the altered business model with a reduction of the sales activities previously conducted at the subsidiaries in France and England necessitated write-downs on financial assets totaling € 1.9 million. These were composed of € 1.4 million for the valuation of the share in SUSS MicroTec SAS, Lyon, France, and € 0.5 million for the valuation of the share in of SUSS MicroTec Ltd., Coventry, UK.

Interest expense declined in the fiscal year by € 0.5 million, which was primarily attributable to the Company's expanded liquidity position.

SUSS MicroTec AG had an average of 19 employees in the 2009 fiscal year (previous year: 20 employees).

In addition to the development of the US dollar, the short and medium-term development of SUSS MicroTec AG above all depends on how the financial and earnings position of important subsidiaries develops. The financial and earnings position of the subsidiaries is critical for the level of the interest-bearing net financing balance of the holding company and the distribution of profits to the proprietary company.

Development of the Numbers of Employees by Division



Group Employees

The employees and their expertise are a significant part of the Company's value. The training periods, particularly in the technical fields, are longer than one year given the highly specific products. For this reason, a motivational environment and performance-based pay are the basic requirements for retaining existing employees as well as recruiting qualified new employees.

As of the end of the 2009 fiscal year, the Group had 614 employees within its continuing and discontinued divisions (previous year: 674).

INFORMATION IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

The common stock of SUSS MicroTec AG amounting to € 17,019,126 is divided into 17,019,126 no-par, ordinary bearer shares. There are no distinct stock categories.

No restrictions exist with regard to the voting rights or the transfer of shares.

As of the reporting date, Mr. Tito Tettamanti held an investment of 20.07% in the capital of SUSS MicroTec AG (previous year: 20.07%). The voting rights assigned to him are, thus, held by Sterling Strategic Value Limited, Tortola, British Virgin Islands, which is controlled by Mr. Tettamanti.

Terramater (Stichting), Amsterdam, Netherlands, acquired shares of SUSS MicroTec AG in the reporting year and held an investment of 10.57% of the capital of SUSS MicroTec AG as of the reporting date. The voting rights assigned to Terramater are, thus, held by SUSS SCS, Strassen, Luxembourg, and Falcivest, SCS, Strassen, Luxembourg.

There were no other direct or indirect investments in the capital of SUSS MicroTec AG exceeding 10% as of the reporting date.

No extraordinary rights of shareholders that grant controlling authority exist. With the existing stock option plans, employees hold a stake in the Company's capital after exercising their options. The controlling rights that they thereby acquire are exercised immediately.

The rules for appointing members of the Management Board of SUSS MicroTec AG and asking them to step down are set out in Sections 84 et seq of the German Stock Corporation Law (AktG). The articles of incorporation do not include any additional provisions in this regard. The number of members of the Management Board is determined by the Supervisory Board in accordance with Section 7 of the articles of incorporation. The Supervisory Board may also assign the Chief Executive Officer or the spokesperson for the Management Board and another member to serve as Deputy Chairman.

Changes to the articles of incorporation are governed by Sections 133 and 179 of German Stock Corporation Law (AktG). The authority to make changes to the articles of incorporation, which pertain to the wording only, has been delegated to the Supervisory Board in accordance with Section 179 (1) (2) of the German Stock Corporation Law (AktG).

The Shareholders' Meeting on June 24, 2009 did not authorize the Management Board to issue convertible and/or optional bonds and to create new contingent capital for 2009, including a corresponding change to the articles of incorporation. Upon resolution by the Shareholders' Meeting on June 19, 2008, the Management Board has been authorized to increase the Company's equity capital in the period through June 19, 2013 one or more times by up to a total of € 4,254,775 through the issuance of up to 4,254,775 new individual share certificates for cash or non-cash contributions with the approval of the Supervisory Board. Shares of common stock and/or non-voting preferred shares may be issued. The Management Board is also authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board and under certain conditions.

The existing promissory note contracts include a change-of-control clause. According to this, the lenders have the option of extraordinary cancellation if one or more individuals not among the scope of existing main shareholders holds or has acquired a number of shares of SUSS MicroTec AG representing 50% or more of the voting rights.

With each of the three banks of the existing consortium, there is a bilateral credit relationship with a common pool of collateral. These relationships have different structures and conditions. Thus, a credit relationship contains a right to extraordinary cancellation if there is a change of control and the parties have not reached a timely agreement regarding proceeding under possibly different conditions, for example with respect to interest, security, or other arrangements.

There are no other significant agreements on the part of SUSS MicroTec AG subject to the condition of a change of control resulting from a corporate takeover bid.

No compensation agreements or similar with employees or members of the Management Board exist in the event of a corporate takeover bid.

In summary, no special rules exist with regard to the voting rights tied to shares or any control options resulting from this, either through the establishment of special stock categories or through restrictions on voting rights or transfers. There are no provisions extending beyond the legal regulations regarding the appointment of members of the Management Board or asking them to step down. Important business fields or activities of SUSS MicroTec AG may not be discontinued due to existing change of control clauses in the event of a takeover bid, with the exception of the promissory note bond.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

On March 11, 2010, the Management Board and Supervisory Board of SUSS MicroTec AG issued a joint declaration regarding corporate governance in accordance with Section 289a of the German Commercial Code (HGB) and made it available on the Company's website at *www.suss.com/investors_relations/corporate_governance/de/declaration_on_corporate_governance*.

EVENTS AFTER THE REPORTING DATE

On January 13, 2010, SUSS MicroTec AG announced the successful conclusion of contract negotiations for the purchase of HamaTech APE GmbH & Co. KG, a wholly owned subsidiary of Singulus Technologies AG. On January 12, 2010, both parties signed a corresponding purchase agreement, subject to the negotiated closing conditions. The agreement stipulates a purchase price of € 4.5 million as well as the acquisition of the land and company building at the Sternenfels site for an additional € 4.5 million. The transaction was completed on February 15, 2010.

On January 15, 2010, Mr. Tito Tettamanti of the United Kingdom of Great Britain and Northern Ireland notified us pursuant to Section 21 (1) German Securities Trading Law (WpHG) that on January 13, 2010, his share of voting rights in SUSS MicroTec AG, Garching, Germany, had moved below the threshold of 20% and amounted on this day to 19.70% (3,352,152 voting rights out of a total of 17,019,126 voting rights). Pursuant to Section 22 (1)(1)(1) German Securities Trading Law (WpHG), 19.70% (3,352,152 of the voting rights) are attributable to him. The voting rights attributed to him are held via the following entities under his control, of which the share of voting rights in SUSS MicroTec AG amounts in each case to 3% or more:

- Gritlot Limited, Douglas, Isle of Man
- Sterling Strategic Value Limited, Tortola, British Virgin Islands

On January 15, 2010, Gritlot Limited, Douglas, Isle of Man, notified us pursuant to Section 21 (1) of the German Securities Trading Law (WpHG) that on January 13, 2010, its share of voting rights in SUSS MicroTec AG, Garching, Germany, moved below the threshold of 20% and amounted on this day to 19.70% (3,352,152 voting rights out of a total of 17,019,126 voting rights). Pursuant to Section 22 (1)(1)(1) of the German Securities Trading Law (WpHG), 19.70% (3,352,152 of the voting rights) are attributable to it. The voting rights attributed to it are held via the following entities under its control, of which the share of voting rights in SUSS MicroTec AG amounts in each case to 3% or more:

- Sterling Strategic Value Limited, Tortola, British Virgin Islands

On January 15, 2010, Sterling Strategic Value Limited, Tortola, British Virgin Islands, notified us pursuant to Section 21 (1) of the German Securities Trading Law (WpHG) that on January 13, 2010, its share of voting rights in SUSS MicroTec AG, Garching, Germany, moved below the threshold of 20% and amounted on this day to 19.70% (3,352,152 voting rights of a total of 17,019,126 voting rights).

On January 27, 2010, SUSS MicroTec AG sold its Test Systems division located in Sacka near Dresden, Germany. The purchase price for SUSS MicroTec Test Systems GmbH, which is cash and debt free, consists of a fixed amount and an amount placed in escrow. The fixed component amounts to € 4.5 million, of which € 2.0 million was paid in cash and € 2.5 million was paid in the common shares of the acquirer. In addition, the amount of € 2.5 million has been placed in escrow and will be released to the seller upon meeting certain post-sale conditions. This could lead to a corresponding purchase price adjustment.

RISK REPORT

Risk Management System

The risk management system has long been a component of the corporate management for the purpose of recognizing and controlling risks, and for meeting legal requirements.

In addition to short-term (operating) risks, risk management at the SUSS MicroTec Group also deals with long-term (strategic) developments that can have a negative impact on the business progress. On the basis of an opportunity-oriented, but at the same time risk-conscious management, however, the Company's fundamental goal is not to avoid all potential risks. Instead, it constantly aims to achieve an optimum level of risk avoidance, risk reduction, and controlled risk acceptance. An awareness of risks should not interfere with the ability to identify risks and to use them for the benefit of the Company and its shareholders.

Risk Management Organization and Documentation

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

The risk management system established is examined annually in the framework of the audits of the annual financial statements.

Risk Identification

All Group units subject to reporting organize a workshop at least once per year which, in addition to past events, primarily addresses future developments. Moreover, the workshops serve to ensure that uniform valuation principles are maintained throughout the Group.

Based on these workshops, risk reports are prepared quarterly. These are subject to the known risks of a critical appraisal and address new topics.

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

The Group's quality management is an important element of early detection. The large production sites are certified in accordance with ISO 9001, which confirms reliable, process- and system-oriented quality management. Clearly structured and unambiguously documented processes within the framework of quality management not only ensure transparency, but also have become for most production clients a precondition for the successful marketing of our tools.

Risk Assessment

Risks are assessed in part by indicating the maximum amount of damage if no countermeasures are taken. The risk value is determined on this basis by including a probability of occurrence, takes the corresponding countermeasures into account, and, like the determination of the maximum amount of damage, is based on the knowledge and experience of the risk officers. It is, therefore, always in line with the most up-to-date status. The indication of the risk value pertains to the next 12 or 24 months in each case.

Risks are rated as "significant" for the Company if they reach or exceed a maximum damage amount of € 1 million as either an individual or a cumulative risk.

Risk Management

Depending on the type of risk and the amount of the assessment, measures for avoiding and lessening risk are taken on a tiered basis. In doing so, risk management is always geared toward the principles of an opportunity-based handling of risks as previously mentioned.

The avoidance of risk and organization of countermeasures is carried out on a subsidiary basis. The parties responsible for risk and the reporting units are obligated to develop and implement strategies for preventing known risks. Should their expertise not suffice for implementing these, they must request assistance from higher levels.

Global activities in the field of high technology yield general and current risks for the Company. The Management Board has taken the appropriate measures for the purpose of monitoring risks in order to identify developments that may threaten the continued existence of the SUSS MicroTec Group early on.

Description of the Key Features of the Accounting-related Internal Control and Risk Management System in Accordance with Section 315 (2)(5) of the German Commercial Code (HGB)

The risk management system for the accounting process aims to minimize the risk of false statements in accounting documents and external reporting. It serves as the first step toward the identification and evaluation and then restriction and review of known risks in the accounting process, which could undermine the compliance of the consolidated financial statements with regulations. The internal control system for the accounting process should ensure with sufficient certainty that the consolidated financial statements conform to regulations despite identified risks in financial reporting.

The effectiveness of the internal control and risk management system is reviewed at the end of the year by the auditor during the audit. In the process, selected internal controls are investigated and their effectiveness evaluated. In addition, checks are made of selected aspects of the IT systems in use. However, absolute certainty cannot be assured even with appropriate, functioning systems.

SUSS MicroTec AG employs its Group-wide procedure rules to ensure the consistent application of accounting principles. Unambiguous guidelines are designed to restrict employee discretion with respect to the recognition and measurement of assets and liabilities and, thus, reduce the risk of inconsistencies in the Group's accounting practices. The subsidiaries are subject to certain mandatory guidelines regarding reporting and the scope of disclosure. The central Finance and Controlling departments monitor compliance with reporting obligations and deadlines.

Accounting at the subsidiaries is done either locally by their own employees or with the support of external accounting firms or tax consulting companies. In the process, various electronic data processing (EDP) systems are used. SAP was already introduced at the German companies in the previous year. Additional subsidiaries will follow next year. Reporting to the corporate headquarters is carried out with the assistance of the MIS (management information software) package. The individual financial statements are ultimately read into a central consolidation system. At the Group level, the finance and controlling departments review the accuracy and reliability of the individual financial statements submitted by the subsidiaries. Controls within the framework of the consolidation process, such as the consolidation of liabilities, expenses, and income, are carried out manually. Possible deficiencies are corrected and reported back to the subsidiaries. The financial systems employed are protected from misuse via appropriate authentication principles and access restrictions. Authorizations are reviewed regularly and updated if necessary.

General Business and Industry Risks

General Political and Economic Conditions

The business environment in which the Company operates is influenced by both regional and global economic conditions. The economic environment in the past fiscal year was characterized by a global financial and economic crisis, which was triggered by undesirable developments in the American mortgage market. This crisis caused a weakening of the business and consumer climate, an increase in unemployment, and a decline in capital expenditure, all of which in turn led to lower demand and difficult market conditions. Given this development, the economic situation in most industrialized countries is characterized by a high degree of uncertainty. Although in recent months certain indexes and economic statistics indicate initial signs of recovery and stabilization of the macroeconomic environment, there is no certainty as to how comprehensive and sustainable this recovery is. Should the recovery be only temporary or the global economic downturn continue, there can be no guarantee that this situation will not have a major negative impact on the Company's net assets, financial position, and results of operations. The credit crunch presently seen on the financial markets, for example, could make it more difficult for the Company's customers to receive financing. This may lead them to change or delay purchases of products as intended or to not carry out certain transactions. Against this background, cancellations of orders already issued also cannot be ruled out. Moreover, insufficient generation of sales or more difficult access to the capital markets on the part of the Company's customers may put them in a position where they are unable to pay outstanding invoices on time or in full. This could have a negative impact on the earnings and cash flows.

Numerous other factors, such as fluctuations in energy and raw material prices as well as global political conflicts, including the situation in the Middle East and other regions, will continue to have an impact on macroeconomic factors and capital markets around the world. Uncertainty about political and economic conditions may negatively impact the demand for the Company's products, and may also make budgeting and forecasts more difficult.

Cyclical Market Fluctuations and Development

The difficulty in assessing short and medium-term market development is still one of the greatest risks to the Company. The semiconductor industry in particular, which is among the Company's sales markets, is characterized by strong market cycles. The Company is countering these risks with lean structures, which can be adjusted quickly in the case of a weak business development and can be potentially supplemented with outsourcing.

Market Positioning

New technological developments by the competition could unexpectedly render parts of the product portfolio and, thus, parts of the potential obsolete, if new technologies were to offer faster, more efficient, or more attractively priced solutions to the same problem. The Company is countering this risk above all with targeted research and development and by continuously aligning its development planning with that of important customers.

Dependence on Individuals' Expertise

The Company depends on the expertise of individual employees in individual areas, primarily in the field of research and development. If these employees are unavailable to the Group, this presents a corresponding risk. This is monitored by internal documentation requirements.

Operating Risks

Assets and Earnings Position

Should the uncertain economic situation in most industrialized countries lead many customers to be reluctant to invest, the possibility of the Group failing to reach the sales targets it set for 2010 cannot be ruled out. The cost savings measures that have been implemented and are currently underway, may therefore, not be enough to generate a positive operating result. The Group is countering this risk with the stringent evaluation of the early indicators available, primarily the Company's order entry. The Company already has another catalog of possible measures to lower its break-even point of sales, although some of these would not have an impact on earnings prior to 2011. A deterioration of the earnings position going beyond the Group planning could make impairments necessary in the framework of future impairment tests. This would result in the devaluation of both the holding company's and the Group's asset values. These impairments would impact the Group's assets and earnings position, but would not have an effect on liquidity.

Pricing Pressure

Significant pricing pressure still exists in the current market environment. This includes the risk that original target selling prices can no longer be achieved, even in the case of the markets recovering. The Company is countering these risks with a constant pricing policy. As such, orders are rejected if the conditions are unattractive in order to guarantee constant prices for customers in recovering markets.

Residual Risks, Particularly Liability Risks

SUSS MicroTec's products are regularly analyzed, checked, and optimized using an extensive risk and quality management system. The liability risk for SUSS MicroTec may increase given the use of the products within the production environment of companies with rising need for product quality. In addition to other types of insurance, SUSS MicroTec also has product liability insurance for the Group. This limits as much potential risk as possible.

Changes in Group Structure

At the end of the reporting year, SUSS MicroTec AG acquired HamaTech APE GmbH & Co. KG. Acquisitions are inherently risky since they entail risks associated with the integration of employees, processes, technologies, and products. The entrepreneurial risk exists that the acquired company will not develop economically as expected in the market and that the sales and earnings goals sought with its acquisition will not be reached or that the intended synergy effects will not be achieved. We counter this risk by carefully and systematically vetting acquisitions in advance. Particular attention is paid to due diligence.

Financial Market Risks

Credit Risks

A credit risk is an unexpected loss of cash or earnings. This occurs when a customer is unable to meet its obligations within the due date, or the assets used as collateral lose value. The Company has implemented Group-wide guidelines on the topic of credit assessment. These guidelines set out the payment conditions and safeguards to which the Company's individual sales units can agree in certain cases while taking the customer and country-specific aspects into consideration. Orders from customers located in "risk countries" can, therefore, only be accepted against down payment for the entire amount of the order, a bank guarantee, or a letter of credit. In the case of customers who are located in the "non-risk countries" and exceed a certain size, a corresponding customer rating is established. These ratings are based on information provided by external credit rating agencies. Depending on the customer's rating, tiered payment conditions and/or safeguards may be necessary to process the order.

Of the gross amount of accounts receivable totaling € 15.2 million (previous year: € 24.1 million), € 11.9 million overall was neither overdue nor impaired as of the reporting date (previous year: € 13.3 million). As of December 31, 2009, there were no indications of payment defaults occurring.

The age structure of overdue, but not impaired receivables as of the reporting date and that of the previous year are as follows:

Age Structure of Overdue Receivables without Impairment

in € thousand	2009	2008
1 – 30 days	1,134	4,962
31 – 60 days	652	3,414
61 – 90 days	541	999
Overdue receivables without impairment	**2,327**	**9,375**

As of the reporting date, a total of € 1.0 million (previous year: € 1.5 million) of the gross inventory of receivables was overdue and impaired. The age structure of overdue and impaired receivables as of the reporting date and that of the previous year are shown in the following table:

Age Structure of Overdue and Impaired Receivables

in € thousand	2009	2008
91 – 180 days	579	930
181 – 360 days	210	294
> 360 days	224	235
Overdue and imparied receivables	**1,013**	**1,459**

Additional information about how value adjustments for accounts receivable are determined can be found in the Notes.

Liquidity Risks

The ongoing challenging situation in the financial markets may limit the Company's options for debt financing. Should the Company miss its 2010 forecast significantly, the possibility of covenants from the existing promissory note bond not being maintained cannot be ruled out. A promissory note bond of € 9.0 million total was issued in 2007.

In the scope of a bank consortium, three banks are currently issuing a credit line of € 9.0 million with an initial term until March 31, 2010. At present, the Company is making use of portions of this credit line in order to offer down payment guarantees in the operational business. Should it be unable to extend the credit line beyond March 31, 2010, the Company would have to abstain from down payments in the future from customers that insist on guarantees of this kind. This in turn, would require complete prefinancing of customer orders and increase the likelihood of order cancellations.

Minimizing the dependence, particularly on short-term borrowed capital, should keep any potential financing risk low. The Company is countering this risk above all by aiming to keep its ratio of borrowed capital at a low level through the corresponding cash flows from optimizing its working capital. Further details about the Company's liquidity situation can be found in Note (24).

Market Price Risks

Market price fluctuations can result in significant cash flow and earnings risks for the Company. Changes in foreign currency and interest rates influence the global operational business as well as investment and financing alternatives.

SUSS MicroTec's international orientation exposes it to foreign currency risk in the scope of its normal operating activities. The currency is hedged on the basis of existing foreign currency orders. The hedging ratio for orders that are processed within three or six months comes to approximately 65% and 45%, respectively. In addition, a base volume is hedged for a period of twelve months. Forward exchange dealings are used as hedging instruments. For further details, please refer to Note (29).

The sensitivity to foreign currency is determined by aggregating the foreign currency items of the operating activities and the Group treasury. Foreign currency risks are, thus, calculated on the basis of a simulation of a 10% devaluation of all foreign currencies versus the euro. This simulated devaluation would have led to a reduction of the euro-equivalent value of € 420,000 as of the reporting date (previous year: € 690,000) and a corresponding reduction in annual income.

The following tables show the composition of the foreign currency exposure and the effects on annual income as of the reporting date and that of the previous year:

	2009		
in € thousand	USD	JPY	Total
Cash and cash equivalents	1,450	703	2,153
Trade receivables	2,887	1,680	4,567
Trade payables	-678	-111	-789
Customer prepayments	-1,303	0	-1,303
Net exposure	**2,356**	**2,272**	**4,628**
Effect on net income of a 10% increase in the value of the euro	-214	-206	-420

The Company's interest rate risk is limited, as the variable components of the promissory note bond placed in the 2007 fiscal year have been hedged by term-congruent interest rate swaps. The conditions, which were originally variable, have, thereby, been converted into fixed conditions.

	2008		
in € thousand	USD	JPY	Total
Cash and cash equivalents	2,620	139	2,759
Trade receivables	4,859	2,611	7,470
Trade payables	-301	-721	-1,022
Customer prepayments	-1,625	0	-1,625
Net exposure	**5,553**	**2,029**	**7,582**
Effect on net income of a 10% increase in the value of the euro	-505	-185	-690

All additional significant financial debt of SUSS MicroTec is based on loan contracts with fixed interest rates and is not subject to the risk of changes in interest rates.

Overall Risk

No risks that threaten the Company's existence were identified within the Group in the 2009 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

FORECAST REPORT

As already forecast in the beginning of 2009, the SUSS MicroTec Group experienced a significant decline in both order entry and sales in the past fiscal year, reflecting economic and industry-specific conditions. The low demand for semiconductor equipment caused by manufacturing overcapacity was further impaired by growing uncertainty in global markets. However, macroeconomic indicators point to a stabilization of global markets. In addition, the semiconductor industry experienced steady growth beginning in the second quarter of 2009, although worldwide semiconductor sales are still well below their level in 2007. Against the backdrop of cautious optimism on the part of market and industry observers, SUSS MicroTec anticipates moderate sales growth in 2010.

This forecast report provides a short explanation of the internal and external factors that both the Company and leading industry observers regard as essential for the further development of the Company.

Semiconductor Industry

Given the global economic crisis, the semiconductor industry posted a 9.0% drop in sales to US$ 226.3 billion in 2009 (SIA, February 2010). However, the sector's performance over the entire year turned out better than had been expected at the beginning of the year. Following plunging sales in 2008, the situation in the semiconductor industry improved continuously beginning in the second quarter of 2009. For 2010, the two market research institutes Gartner and iSuppli anticipate global sales growth compared with the previous year of 19.9% and 21.5%, respectively, to a level of US$ 276 billion or US$ 280 billion, respectively (as of February 2010/March 2010). Optimism is based on two factors: rising demand for PCs and cellular telephones and rising average prices for memory chips (DRAMs). In addition, emerging countries such as China and India are creating additional demand for all types of semiconductor products with their investments in wired and wireless infrastructure (SIA, February 2010).

Semiconductor Equipment Industry

Given falling memory chip prices and existing overcapacities, semiconductor manufacturers became quite reluctant to invest in semiconductor equipment beginning in mid-2008. As a result, the semiconductor equipment industry suffered a sales decline of 42.6% in 2009, according to the Gartner market research institute (as of December 2009). However, according to the industry association SEMI (Semiconductor Equipment and Materials International), the rebound in the semiconductor market, which began in the second quarter of 2009, caused the ratio of order entry to realized sales (book-to-bill ratio) in North America to remain consistently above the parity level since as early as July 2009. According to the two market research institutes Gartner and iSuppli, this positive trend will continue in 2010. While Gartner expects, in particular, technology purchases by chip manufacturers and foundries in the first half of 2010, in the second half of the year, the purchase of additional capacity should stimulate the positive trend. Against this backdrop, the forecasts of market researchers predict an increase in worldwide expenditures for semiconductor equipment in a range from 45.3% (Gartner, December 2009) to 46.8% (iSuppli, January 2010). For 2011, Gartner is forecasting additional growth of 30.2% to a total of USD 47.8 billion in the semiconductor equipment industry. However, when evaluating the figures, it should be noted that they reflect markets critical for major front-end-based manufacturers such as Applied Materials and ASML.

SUSS MicroTec, on the other hand, is not particularly active in the classic front-end of chip manufacturers. Instead, the Company primarily operates as an innovative, specialized equipment manufacturer in the niche markets of MEMS, advanced packaging, compound semiconductors, and 3D integration. Few forecasts exist for these niche markets.

Expected Development on the Major Markets

The Market for Microelectromechanical Systems (MEMS)

Despite steadily rising sales figures, the microelectromechanical systems (MEMS) market remained without noteworthy growth after 2007 and 2008 and even in 2009. Aside from the generally challenging global economic situation, the reason for this is the growing share of low-price MEMS components for consumer electronics, which has a negative impact on average sale prices, according to the SEMI industry association. The Yole Développement market research institute is projecting that, in 2010, the MEMS market will grow by 14% to a total market volume of US$ 8.0 billion, reflecting a gradual recovery in the global economy. In addition, market researchers are forecasting an average annual growth rate of 24.2% with expected sales in the area of microelectromechanical systems of US$ 12.4 billion in 2012 (as of August 2009).

While formerly strong market drivers such as the automotive industry and inkjet print heads have lost importance in the last three years as a result of the global economic crisis and the related decline in sales, in the future, particularly mobile applications in the area of consumer electronics and markets in industry and medical technology will be the largest growth drivers, according to Yole Développement. Primarily the demand on the part of consumers in communications and consumer electronics for multiple, integrated functions is expected to trigger a strong impulse. On the supply side, manufacturers will react to the rising demands with new products and applications. As such, gyroscopes and accelerometers are used as instruments in wireless electronic devices, for example as image stabilizers in cellular telephones and in game consoles. The market research institute iSuppli has also stated that videogame controllers, such as the ones built into the Nintendo Wii and the Sony PlayStation, will be among the strongest drivers of growth in the years to come.

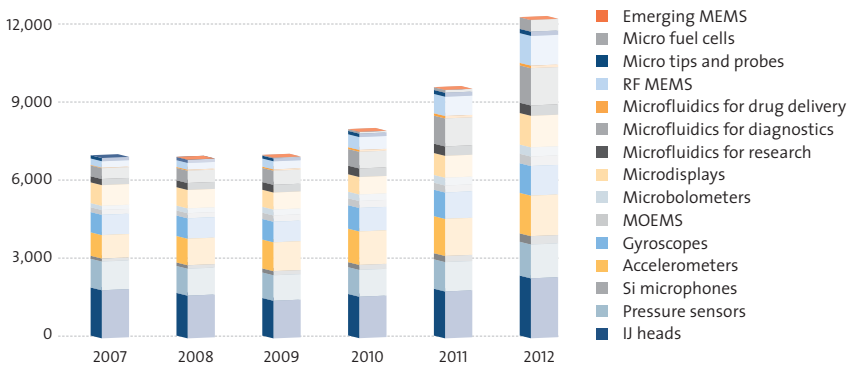
On the other hand, in interpreting market figures it should be noted that the equipment market in this segment is not growing as quickly as the MEMS market itself. This is due to the fact that the higher degree of productivity of the systems enables a constantly higher number of MEMS components per tool to be produced.

Advanced Packaging and 3D Integration

As for wafer-level packaging (advanced packaging), the researchers from TechSearch International Inc. (as of July 2009) forecast a rise in the number of bumped 200mm wafers from 4.4 million to 7.5 million in the period from 2009 to 2012. This is an average annual growth rate of approximately 19.5%. However, a proportionate increase in equipment cannot be assumed in the interpretation of figures. The market research institute Yole Développement expects growth in advanced packaging to come primarily in three-dimensional systems integration (3D integration). This sub-market of advanced packaging, which is still young, will feature an average annual growth rate of 59.5% for the 2010–2015 period, according to estimates of the market research institute Yole Développement (as of January 2009). The significant growth drivers here are primarily CMOS image sensors, as well as MEMS and storage media (DRAM).

MEMS Market in US$ million

Source: Yole Développement, Global MEMS Markets and Opportunities Report, August 2009



Compound Semiconductors (LEDs)

The market for compound semiconductors is heavily diversified, thus, making it difficult to assess in global terms. In this market, SUSS MicroTec focuses on the growth segment of light emitting diodes (LEDs) and, with its product solutions, is targeting particularly manufacturers of high-end light emitting diodes, i.e. high brightness (HB) and ultra-high brightness (UHB) LEDs. The highly efficient light emitting diodes are extremely economical in terms of space compared to conventional lighting devices and have up to fifty times greater life span while simultaneously consuming less energy and generating less heat. Aside from these environmentally friendly properties, the high degree of vibration and impact resistance and increasingly inexpensive production of the diodes have led to broad acceptance in diverse application domains. At the same time, demand is increasingly driven by use in computer and television technology.

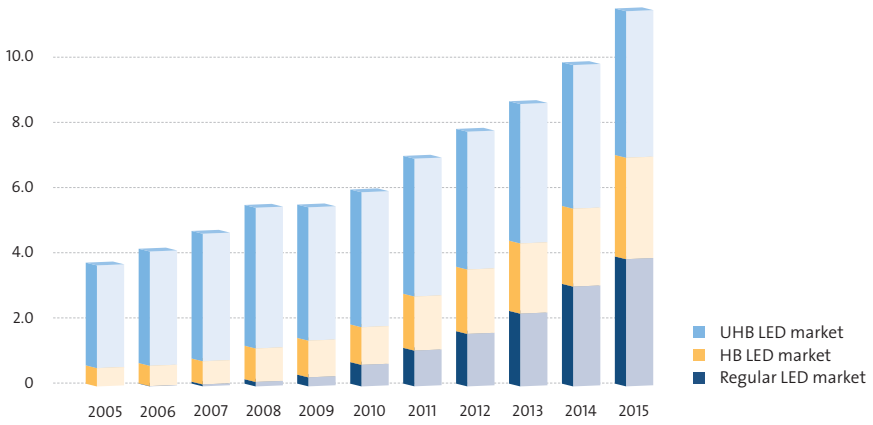
Therefore, the French market research institute Yole Développement is forecasting an average annual growth rate of 14.1% to a market volume of US$ 11.65 billion in 2015 for the global LED market. According to market researchers, growth will be driven particularly by rising demand for ultra-high brightness LEDs, of which the average annual growth rate should amount to 54.4% in the specified period. For equipment manufacturers, this implies an average growth rate of +33.6% for the high brightness (HB) and ultra-high brightness (UHB) LED markets in the coming years to a total volume of US$ 353 million in 2015, according to Yole Développement's estimates.

Endogenous Indicators

Aside from the condition of the markets, the innovation potential of our product range is also a critical factor for our success. In the 2009 fiscal year, the Company concluded a total of four strategically important development cooperative agreements with well-known partners from industry and research in the area of 3D integration. We assume that, as early as 2010, these innovations will attract the interest of research and development facilities as well as chip manufacturers, which will gradually integrate these new processes in their production in subsequent years.

LED Market in US$ billion

Source: Yole Développement, HB LED and LED Packaging Report, October 2009



STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP

The global economy appears to have moved beyond the trough of the recession, although only a gradual economic recovery is expected in 2010.

The current studies by leading market research institutes such as Gartner and iSuppli forecast market growth rates in the range between 45% and 47% for the semiconductor equipment industry in 2010. For 2011, Gartner anticipates additional growth of 30.2%. However, these forecasts refer to markets that are crucial to large, front-end-based manufacturers and are, therefore, less significant for us. Accordingly, we have not incorporated these growth rates into our internal planning. Instead, we are assuming stable development, which projects sales at the same level as in the past fiscal year.

In the process, we assume that HamaTech APE GmbH & Co. KG, which we acquired in February 2010, will generate sales similar in magnitude to those achieved by the discontinued Test Systems division in the reporting year. Despite lingering challenges posed by the global economy, we plan to invest more heavily in research and development in 2010. This should enable us to expand our ranking and technological position in our targeted markets over the medium to long term. At the same time, we are paying particular attention during the current year to the relocation of our Coater and Developer manufacturing to the Sternenfels site and the integration of HamaTech APE into the SUSS MicroTec Group.

Assuming that HamaTech APE can replace the contribution to Group sales of the discontinued Test Systems division, we estimate that, in the 2010 fiscal year, we will be able to increase our operating income (EBIT) compared to the past fiscal year.

Given stable sales in 2010, we should remain in a position to generate positive free cash flow adjusted for the impact of the purchase of HamaTech APE and the building at the Sternenfels site.

Should the markets we target develop in the manner described above and the SUSS MicroTec Group succeed in consistently positioning its product range to match market requirements, we anticipate rising order entry and sales in 2011. Depending on sales growth, it appears possible to reach an EBIT margin in the 8% – 10% range. We remain committed to our goal of sustaining the organic growth of our core business without additional borrowing.

FORWARD-LOOKING STATEMENTS

This Annual Report contains information and forecasts that refer to the future developments of the SUSS MicroTec Group and its companies. The forecasts are assessments that the Company has made based on all of the information available to it at the present time. Should the assumptions on which these forecasts are based not occur or the risks – as addressed in the risk report – arise, the actual results may deviate from those currently expected.

Garching, Germany, March 11, 2010

The Management Board

Frank Averdung
Chief Executive Officer

Michael Knopp
Chief Financial Officer