GROUP MANAGEMENT REPORT

and Management Report of SUSS MicroTec AG for the 2010 Fiscal Year

BUSINESS AND GENERAL CONDITIONS

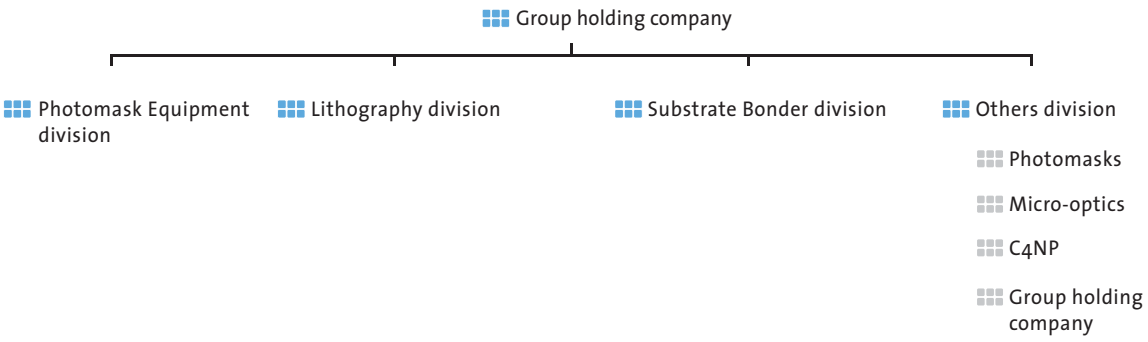
GROUP STRUCTURE AND BUSINESS ACTIVITIES

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, 2010, the Group is comprised of four divisions, with the Others division composed of several smaller sub-units each managed separately. Through the acquisition of HamaTech APE, a new division – the Photomask Equipment division – was created. In January 2010, SUSS MicroTec sold the Test Systems division, thus dissolving the division.

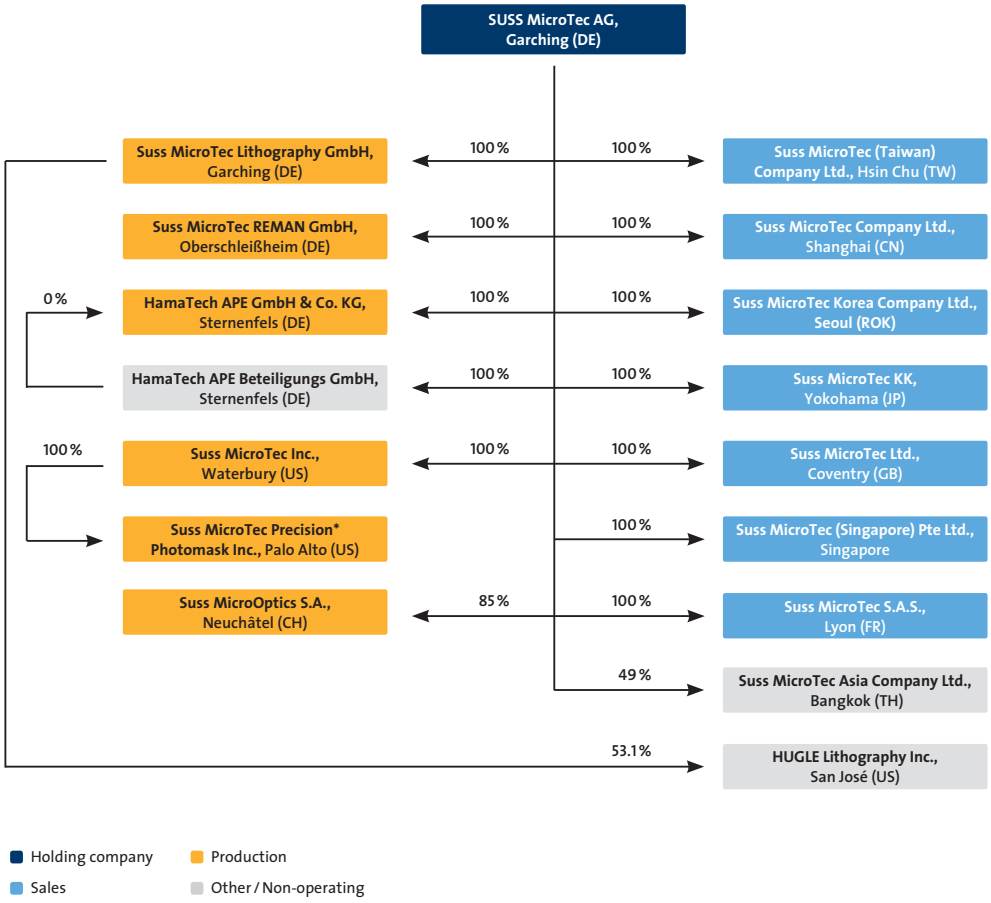


Legal Structure of the Group

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, a non-controlling interest in the following company still exists: 10 % ELECTRON MEC S.R.L., Milan (Italy).

This non-controlling interest is insignificant for the operational business as well as the earnings, assets, and financial position of the Group.



* formerly operated under the name Image Technology Inc.

Management and Control

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. Variable remuneration includes short-term and long-term components. More information about this can be found in the Remuneration Report. 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 19 of the articles of incorporation of SUSS MicroTec AG. In accordance with Section 19 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 per meeting, every member of the Supervisory Board receives a 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, the Deputy Chairman receives € 40,000, and a regular member of the Supervisory Board receives € 35,000 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 liquidity (cash plus interest-bearing 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

In the past fiscal year, significant changes were made in the area of research and development at SUSS MicroTec. All development areas were placed under unified management. The objective of this new structure is to leverage potential synergies across the Group, for example through consistent platform engineering and Group-wide innovation management. The development of equipment and processing solutions as well as standardization across products thus remain important elements of corporate strategy, which is designed to increase the market shares of SUSS MicroTec's divisions in their target markets and to tap new fields of business. The significant new products and developments of the respective divisions are presented and explained in the following.

Lithography

The 2010 fiscal year saw the successful market launches of not only the Mask Aligner MA100e, which was specially developed for the LED market, but also of a new version of the very successful 200mm Gamma Coater and Developer cluster and the new entry-level LabSpin Coater.

With the new MA100e Gen 2 and Gamma Gen 2 tool sets, the focus of the innovation was on significantly higher throughput and thus an improved cost of ownership for the customer. The MA100e targets the rapidly growing high-brightness mid-range LED market. In order to be competitive in this market, one must be able to manufacture very large quantities, combining high throughput with an attractive system price. Compared with the predecessor model, the new device has 50 % faster throughput, in addition to many other refinements.

The new version of the Gamma Gen 2 Coater and Developer production cluster was developed with primarily the MEMS market in mind. The system for the coating, baking, and developing of wafers up to a diameter of 200mm is particularly suited to this market due to its ability to process extremely thick photoresist layers. The new Gamma production tool set is equipped with a new dual-arm robot, new video centering, and a new autoload port. These innovations enable increased throughput combined with a high level of flexibility within specific processes.

The newly developed LabSpin Coater is aimed at universities and research institutes in particular. It is a completely new product development, which provides our customers with an inexpensive entry-level product combined with further significant improvements in user friendliness.

Substrate Bonder

The primary focus of development activities in the Substrate Bonder division in the 2010 fiscal year was the completion of initial versions of the XBC 300 production cluster as well as associated modules for permanent and temporary bonding and debonding processes for the 3D integration market segment. We were already able to deliver initial systems and modules of the XBC cluster, the DB12T and DB12S Debonder, the Low Force Bond Chamber LF 300, the BA300 Bond Aligner, the HF300 High Force Bond Module, and the PL300 Plasma Activation Module to our development partners, two research institutes.

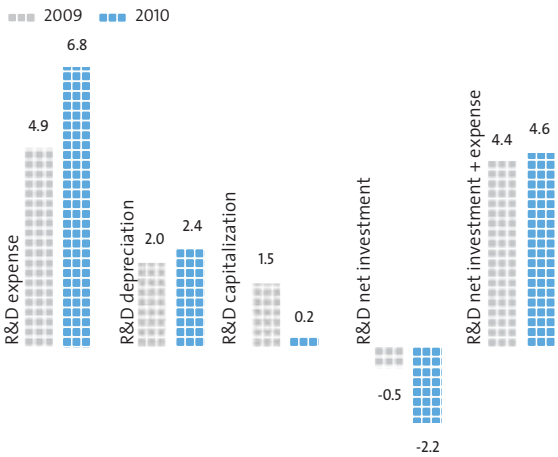
Photomask Equipment

In the Photomask Equipment division, it was possible to successfully complete the beta phase of the new MaskTrack Pro production platform in the first half of the year. The innovative high-end system enables the cleaning, temperature treatment, and development of masks and patterns for all relevant, technologically leading patterning processes for the manufacture of smallest patterns at the semiconductor Frontend. Currently, the 193nm immersion lithography technology is the most widespread. In addition, MaskTrack Pro also enables the processing of masks or patterns for future extreme ultraviolet (EUV) and nanoimprint lithography (NIL) techniques. Immediately after the sales launch, the system enabled the Company to maintain its market leadership in the semiconductor industry sector of Frontend mask cleaning.

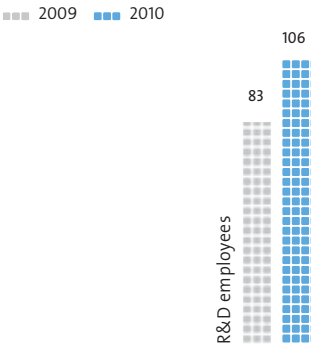
The total expenses for research and development from continuing and discontinued operations increased compared with the previous year from € 4.9 million to € 6.8 million. In the year under review, write-downs for capitalized development projects exceeded the capitalization amount. This led to a net charge in the statement of income of € 2.2 million (charge in the previous year: € 0.5 million).

R&D EXPENSES COMPARED TO THE PREVIOUS YEAR

in € million



R&D EMPLOYEES



OVERVIEW OF THE BUSINESS DEVELOPMENT

Overall Macroeconomic Conditions

As measured by the ifo World Economic Survey, with a generally strong 2010 fiscal year, the global economic climate did not display slowing momentum until the fourth quarter of 2010. However, the indicator remained above its long-term average. The performance of specific economic regions varies greatly. While the expansion in the emerging countries had already lessened since the beginning of the year, industrialized countries did not start losing momentum until mid-2010. Despite the newly growing global economy, the mood in the international financial markets remained tense. Concerns about industrialized countries' sharply increased budget deficits and debt levels and the related doubts about the solvency of several countries in the eurozone in particular dominated events especially at the end of the past fiscal year. In view of sharply higher public debt levels and large budget deficits, monetary policy measures to stimulate economic activity were no longer expanded in many countries. In China, various government programs to support investment activity were scaled back over the course of the year.

In 2010, the world economy grew by approximately 3.7 % overall. Growth was once again fastest in China and Hong Kong, where it measured roughly 10 % as compared with the previous year. However, India and the rest of Asia (excluding China) also regained significant momentum in 2010 with growth rates of 8.3 % and 7.2 % respectively. The gross domestic product of the USA grew by 2.7 %, above the average for the EU-27 countries, which recorded growth of 1.6 %. The GDP of Germany, which expanded by approximately 3.5 % in 2010 year on year, also returned to a growth path. (Source: Joint Economic Forecast, November 2010)

Industry-specific Conditions

According to the iSuppli market research institute, in 2010 the worldwide semiconductor industry recorded a sales increase of more than 30 % to approximately US$ 304 billion (2009: US$ 230 billion). This is thus the largest increase, measured in US dollars, in the history of the semiconductor industry. Overall, the sector's performance over the entire year turned out significantly better than expected at the beginning of the year. According to Gartner, the semiconductor equipment market expanded even more rapidly on a percentage basis. Specifically, it grew from US$ 16.6 billion in 2009 to US$ 38.4 billion in 2010, which represented an increase of approximately 131 %. Growth in the area of semiconductor packaging and assembly in particular amounted to approximately 119 %.

The German Electrical and Electronic Manufacturers' Association (ZVEI) has stated that the German semiconductor market posted a sales increase of approximately 38 % to € 9.5 billion in 2010 (previous year: € 6.9 billion). Besides the overall economic recovery, the primary reason for this was sales increases in the key automotive and industrial electronics sectors as well as information technology. Growth of approximately 27 % in 2010 in the rest of the European market was significantly weaker than in the German market. As before, however, the Asia-Pacific region has held its position as the strongest sales region with a market share exceeding 50 %, of which China contributes half.

Company Development

As already forecast at the beginning of 2010, the Company experienced an increase in both order entry and sales in the past fiscal year. SUSS MicroTec Group generated sales of € 139.1 million, significantly exceeding the previous year's level of € 103.9 million by 34 %. Order entry also rose by approximately 97 % compared with the previous year to € 189.3 million (previous year: € 96.3 million).

Despite the significant increase in sales, the Company managed to keep the break-even point stable in the 2010 fiscal year and was therefore able to achieve significantly improved earnings before interest and taxes (EBIT) of € 14.3 million. In the previous year, EBIT totaled € 2.8 million. In order to achieve this goal, the Company systematically continued the operational and structural measures introduced in the previous years. Within the context of the overall recovery, it was also possible to improve SUSS MicroTec Group's liquidity situation considerably. Cash and interest-bearing securities amounted to € 50.1 million at the end of the 2010 fiscal year. Net liquidity increased significantly by the end of 2010, coming in at € 34.6 million (December 31, 2009: € 18.4 million). Free cash flow before the inclusion of securities sales / purchases and extraordinary effects from M&A activities came to € 14.1 million for the full year (previous year: € 8.9 million).

Order backlog totaled € 116.1 million as of the reporting date and was thus twice as high as in the previous year (€ 57.0 million).

The ratio of newly received orders to realized sales (book-to-bill ratio) in 2010 was 1.36 for continuing operations after 0.93 in the previous year.

Sales and Orders Position by Region

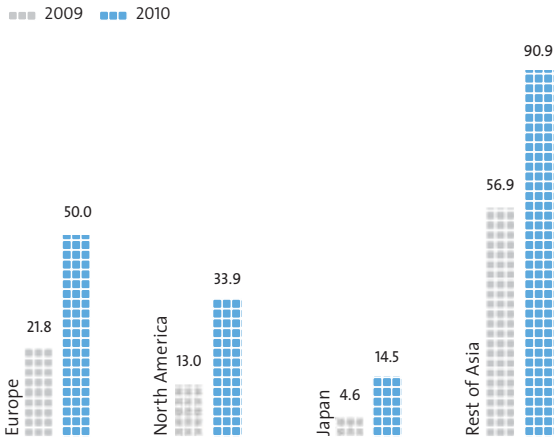
Europe, North America, and Asia are important regions of the world for SUSS MicroTec's business. Asia is divided into Japan and "Rest of Asia" in order to account for the fact that most of the Company's customers in the advanced packaging market are located outside of Japan, particularly in Taiwan. However,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

Order Entry by Region

After an extremely challenging 2009, all regions contributed to a sharp rise in order entry in 2010. In Europe, order entry increased significantly by more than 100 % to € 50.0 million after only € 21.8 million in the previous year. The region of North America also recorded a sharp rise in order entry and was able to record orders of € 33.9 million for the full year 2010. As a result, the region surpassed the previous year's figure of € 13.0 million by 161 %. In 2010, the region of Japan achieved order entry of € 14.5 million, which represented an increase of 216 % from the previous year. In the region of Rest of Asia (excluding Japan), SUSS MicroTec Group's orders rose by 60 % to € 90.9 million after € 56.9 million in the previous year.

The positive development of order entry is generally attributable to the improved macroeconomic situation. However, our products themselves, which are specially designed to address customer needs and rapidly growing markets, also contributed to the growth in orders. While the Rest of Asia region was the primary driver of the high order entry in the first half of 2010, activity shifted to the regions of Europe and North America in the second half of the year.

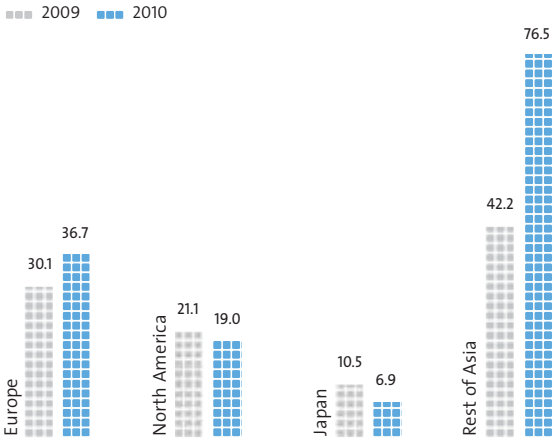
ORDER ENTRY BY REGION in € million



Sales by Region

The development of sales by region offered a mixed picture. In Europe, sales increased by 22 % to € 36.7 million after € 30.1 million in the previous year. The region of North America recorded a decline of 11 % from the previous year to € 19.0 million (previous year: € 21.1 million). With sales of € 6.9 million, Japan also did not match the previous year's figure (€ 10.5 million). However, the Rest of Asia region was able to generate a significant increase in sales. In 2010, sales here amounted to € 76.5 million, or 81 % higher than the € 42.2 million produced in the previous year.

SALES BY REGION — in € million



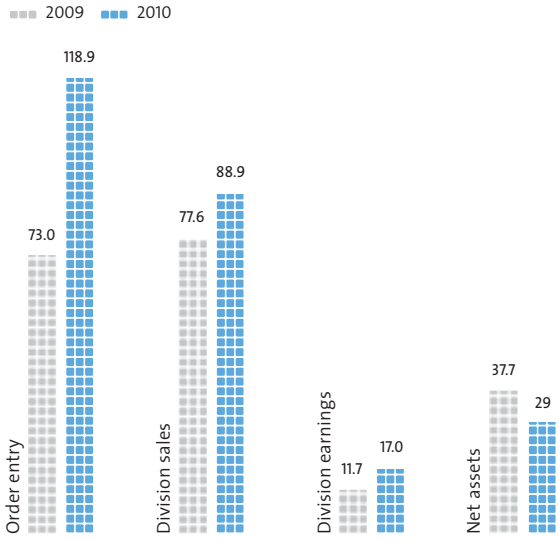
Business Development in the Individual Divisions

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 since May 2010 in Sternenfels. The relocation of Coater and Developer production from Vaihingen an der Enz to the newly acquired production building in neighboring Sternenfels was completed without complications. With a contribution to sales of 64 %, the Lithography division is SUSS MicroTec Group's largest division. The components which are manufactured with these tools are sent primarily to the end markets for microelectromechanical systems, compound semiconductors (LEDs), 3D integration, and advanced packaging.

In the 2010 fiscal year, the Lithography division generated order entry of € 118.9 million and sales of € 88.9 million, which corresponds to growth of 63 % and 15 % respectively over the previous year. Asian production customers in particular were drivers of the strong demand. Division earnings (EBIT) improved from € 11.7 million in the previous year to € 17.0 million in the past fiscal year, representing growth of 45 %. The gross margin of 43.8 % in 2010 (previous year: 44.4 %) once again scarcely changed from the previous year. The reason for the positive development of order entry and sales was increased demand for all of the division's product lines, particularly the Mask Aligner product line. In general, the return to worldwide economic growth changed the investment behavior of production customers. While investments were curtailed or even eliminated in 2009, they were largely restored in 2010.

LITHOGRAPHY DIVISION OVERVIEW — in € million



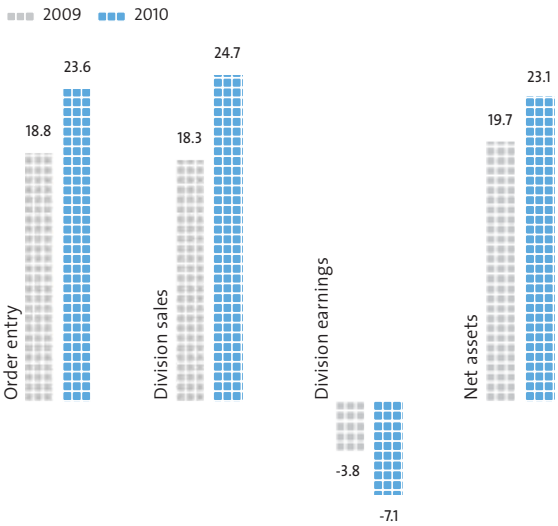
Substrate Bonder

The Substrate Bonder division comprises the development, production, and sale of the Substrate (Wafer) Bonder product line and is currently still located in Waterbury, Vermont (USA). The relocation of Bonder development and production to Sternenfels, which was announced in June 2010, has already begun or been partially implemented and will be completed in the second quarter of 2011.

Both Bonder sales and the North American service and applications center will be relocated to California as part of this move. Markets addressed by the Substrate Bonder systems include MEMS, compound semiconductors, and 3D integration.

The Substrate Bonder division continued to develop positively both in terms of order entry, at € 23.6 million (previous year: € 18.8 million), and sales, at € 24.7 million (previous year: € 18.3 million). The reason for the positive development is the increasing importance of bonding systems in the manufacturing process for future three-dimensional chip structures (3D integration). Despite the good sales performance, the division's earnings (EBIT) fell from € -3.8 million to € -7.1 million. The weaker earnings development was due in particular to extraordinary expenses of € 3.9 million in connection with the relocation of the division to Germany as well as the very low margins for several large production systems which were delivered to strategic R&D partners in the second quarter of 2010. The gross margin deteriorated accordingly from 14.7 % to 3.6 %.

SUBSTRATE BONDER DIVISION OVERVIEW in € million

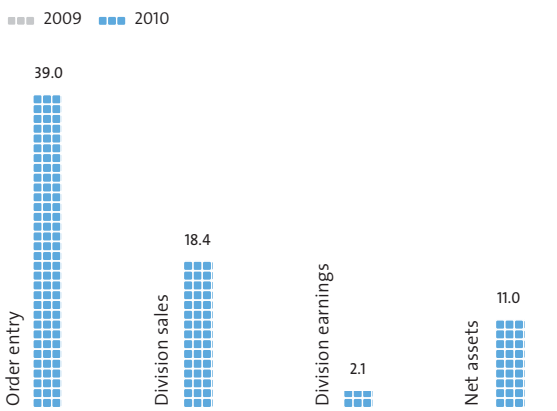


Photomask Equipment

The Photomask Equipment division comprises the development, manufacture, and sale of the product lines of HamaTech APE GmbH & Co. KG, which was acquired on February 15, 2010. The development and production of these specialized systems for the cleaning and processing of photomasks for the semiconductor industry are conducted at the Sternenfels site near Stuttgart. Among the markets targeted by the Photomask Equipment division is the semiconductor industry, where SUSS MicroTec is active on the Frontend.

The Photomask Equipment division developed very positively in the ten-month period since initial consolidation. At the end of December 2010, order entry totaled a pleasing € 39.0 million. Division sales amounted to € 18.4 million. For purposes of comparison: in the previous 2009 fiscal year, HamaTech APE generated annual sales of approximately € 11 million. In terms of division earnings (EBIT), the division already made a profit of € 2.1 million in the past fiscal year. The gross margin was 36.9 %. The integration of the division into SUSS MicroTec Group went smoothly. With the acquisition of HamaTech APE, SUSS MicroTec took over both the production site as well as all employees in Sternenfels.

PHOTOMASK EQUIPMENT DIVISION OVERVIEW in € million



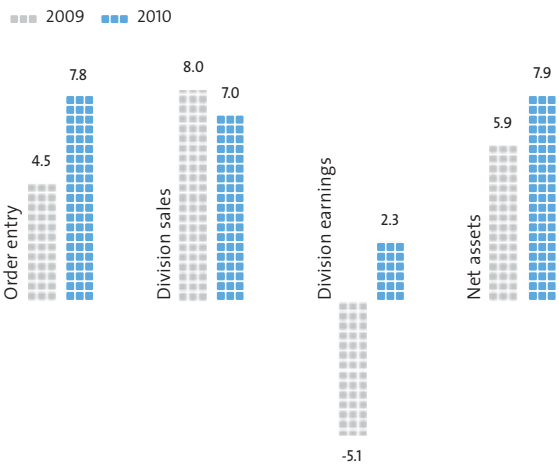
Others

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

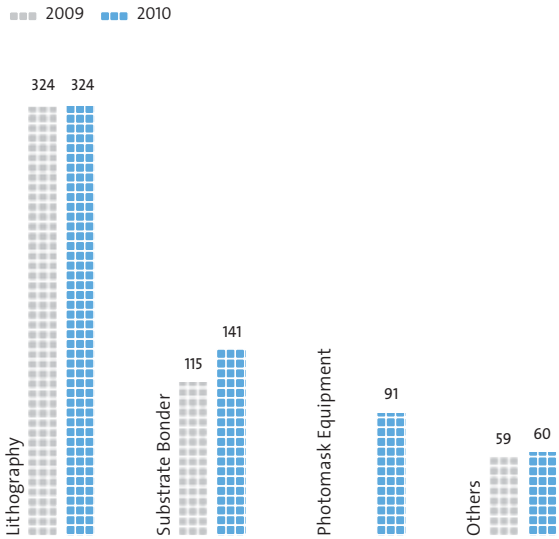
The Others division performed positively in the past fiscal year in terms of both order entry and sales. Order entry improved from € 4.5 million in 2009 to € 7.8 million in 2010. Division sales amounted to € 7.0 million after € 8.0 million in the previous year. Here the Micro-optics business achieved an increase in order entry of € 2.9 million to € 5.1 million as well as an increase in sales of € 2.5 million to € 4.3 million. The sales contribution from the Mask business fell from € 2.7 million in the previous year to € 2.4 million. Order entry rose by 9 % to € 2.4 million. The improved performance of the Mask business could be traced to the generally more favorable market environment. A one-time foreign exchange effect of € 1.8 million as well as badwill totaling € 2.7 million relating to the initial consolidation of HamaTech APE had a positive impact on division earnings, which amounted to € 2.3 million for the full year after € -5.1 million in the corresponding period of 2009.

OTHERS DIVISION OVERVIEW

in € million



EMPLOYEES BY DIVISION



EARNINGS, ASSETS, AND FINANCIAL POSITION

EARNINGS POSITION

In the 2010 fiscal year, the earnings position of the SUSS MicroTec Group improved significantly from the previous year. As a result of the positive global trend in business conditions, SUSS MicroTec was able to record extraordinarily high order entry and encouraging sales growth. Sales rose from € 103.9 million in the previous year to € 139.1 million in 2010, representing a sales increase of 33.9 %. Earnings before interest and taxes (EBIT) from continuing operations increased five-fold from € 2.8 million in 2009 to € 14.3 million in the past fiscal year.

EBIT for the 2010 fiscal year (continuing operations) was affected by several non-recurring effects. The initial consolidation of HamaTech APE GmbH & Co. KG on March 1, 2010, which led to gain on bargain purchase of € 2.7 million being recognized, had a positive impact. An additional positive effect resulted from the settlement of Company-internal foreign currency credits by SUSS MicroTec Inc., Waterbury – this led to the realization of foreign currency gains of € 1.8 million. However, restructuring expenses of

€ 3.9 million, which were incurred in connection with the relocation of the Substrate Bonder division and the North American sales and service organization from Waterbury, Vermont (USA), to Sternenfels and California, respectively, had a negative effect on earnings. Furthermore, the relocation of the Vaihingen plant to Sternenfels resulted in additional expenses of € 0.3 million.

Adjusted for these extraordinary effects, EBIT for the current fiscal year came to approximately € 14.0 million (after € 2.8 million in the previous year).

The € 35.2 million increase in sales from continuing operations to € 139.1 million reflected higher demand for our products in nearly all divisions of the Group. Thus, sales in the top-selling Lithography division climbed by € 11.3 million to € 88.9 million and in the Substrate Bonder division by € 6.4 million to € 24.7 million. The new Photomask Equipment division contributed € 18.4 million to Group sales. Sales development was particularly pleasing in the Micro-optics division, where sales more than doubled from € 1.8 million in the previous year to now more than € 4.3 million. Sales in the Photomask unit declined slightly from € 2.7 million in the previous year to € 2.4 million in the reporting year. The C4NP unit generated very little sales, amounting to only € 0.2 million (2009: € 3.4 million), due to the acceptance of tools delivered to IBM in the previous year.

The cost of sales included write-downs on capitalized development costs of € 2.4 million. As such, write-downs on capitalized development costs were approximately € 2.2 million higher than new capitalizations, which totaled only € 0.2 million in the reporting year. In 2009, capitalized development costs still came to € 1.6 million, while write-downs (continuing operations) amounted to approximately € 2.0 million.

In the reporting year, continuing operations generated a gross profit of € 51.1 million, which corresponds to a gross profit margin of 36.7 %. In the previous year, the gross profit totaled € 38.8 million; the gross profit margin in 2009 amounted to 37.4 %. The absolute increase in the gross profit reflected sales growth in the Lithography and Micro-optics divisions as well as the positive contribution of the new Photomask Equipment division. The slight decline in the average Group gross profit margin was primarily attributable to the Substrate Bonder division as a result of the delivery in 2010 of several large Bonder production systems to IMEC and ITRI, two strategic research and development partners. The production systems generated very low margins as they were negatively impacted by the high expenses associated with these cooperative agreements.

Due to the systematic ongoing implementation of the cost-saving program, both selling and administrative costs increased only underproportionally, despite the initial consolidation of the Photomask Equipment division. Selling costs increased from € 16.7 million in the previous year to € 17.4 million, which – relative to sales generated – corresponds to an expense ratio of 12.5 % (2009: 16.1 %). Administrative costs rose from € 13.9 million to € 17.8 million, representing an expense ratio of 12.8 % in 2010 (2009: 13.4 %). In the area of selling costs, higher commissions for sales employees reflected the greater level of sales and earnings. In addition, administrative costs included extraordinary expenses of € 1.2 million for relocating the Substrate Bonder division from Waterbury, USA, to Sternenfels, Germany, as well as costs of € 0.3 million for relocating the plant in Vaihingen to Sternenfels.

Research and development costs rose from € 4.9 million to € 6.8 million and primarily related to the Lithography (€ 4.1 million) and Substrate Bonder (€ 2.2 million) divisions. Development costs for the new Photomask Equipment division amounted to € 0.3 million.

Other operating income of € 10.0 million included the recognition in profit and loss of gain on bargain purchase of € 2.7 million, which resulted from the initial consolidation of HamaTech APE GmbH & Co. KG and the retroactive purchase price adjustment. Furthermore, the positive foreign currency effect from the repayment of a loan denominated in US dollar amounting to € 1.8 million by SUSS MicroTec Inc. (Waterbury) was also recognized here.

The Lithography division contributed earnings of € 17.0 million (2009: € 11.7 million) to consolidated earnings before interest and taxes (EBIT) from continuing operations. This resulted in a sales margin of 19.1 % for the Lithography division, a significant improvement compared to the previous year (2009: 15.1 %).

In the Substrate Bonder division, EBIT measured € -7.1 million after € -3.8 million in the previous year. Earnings were burdened not only by low-margin orders for the strategically important cooperative partners IMEC and ITRI, but also by high development costs in connection with thin wafer handling. In addition, earnings reflected restructuring expenses of € 3.9 million related to the relocation of the Substrate Bonder division.

Sales and earnings development in the new Photomask Equipment division was very encouraging. In the ten months since the initial consolidation, the Photomask Equipment division contributed € 2.1 million to consolidated EBIT. Accordingly, the sales margin was 11.5 %.

The financial performance in 2010 came to € -0.3 million (after € -0.1 million in the previous year), primarily reflecting higher interest expenses combined with reduced interest income compared with the previous year.

The Group's income tax obligation of € 1.0 million was significantly lower than in the previous year (2009: € 2.1 million). The disproportionately low income tax expense relative to pre-tax income was primarily the result of positive effects from the recognition of deferred tax claims which arose in connection with the relocation of the Substrate Bonder division from the USA to Germany. The actual tax expense accruing was approximately € 4.8 million, while deferred taxes resulted in tax income of approximately € 3.8 million.

The Group's continuing operations generated a net profit after taxes of € 13.0 million, as compared with a profit of € 0.5 million in the previous year.

In the reporting year, the Group's discontinued operations generated earnings after taxes of € 0.3 million (previous year: € -5.4 million), which are exclusively attributable to the discontinued Test Systems division. This includes the operating result of € -1.3 million, which in part resulted from the ongoing business activities of SUSS MicroTec Test Systems GmbH from the beginning of the year until deconsolidation on January 27, 2010. The accrual of subsequent costs for the liquidation of the Test Systems division accounted for the remainder. In the Test Systems division, the profit from deconsolidation, which totaled € 1.6 million, was also recognized. Earnings from discontinued operations were burdened in the previous year by negative measurement effects of € 4.7 million, of which € 4.2 million involved goodwill and € 0.5 million involved the intangible and tangible assets of the Test Systems division.

Overall, the Group generated earnings after taxes of € 13.4 million (previous year: € -4.9 million) in the reporting year. Basic earnings per share from continuing and discontinued operations amounted to € 0.73 after € -0.28 in the previous year.

Sales per employee increased compared to the previous year by 8.1 % from € 209 thousand to € 226 thousand (based on the respective number of employees as of the reporting date).

ASSETS AND FINANCIAL POSITION

The Group succeeded in significantly expanding its net cash position – the balance of cash and cash equivalents, interest-bearing securities, and financial liabilities – from € 18.4 million in the previous year to € 34.6 million. The amount of cash and securities increased from € 31.1 million in the previous year to € 50.1 million at the end of the reporting year.

Cash flow from operating activities totaled € 16.1 million (2009: € 12.1 million). In particular, the significant increase in customer down payments (from € 11.8 million at the end of 2009 to currently € 23.5 million) and the build-up of trade payables (reduced cash outflow of € 3.4 million) had a noticeable impact here. It was also possible to reduce trade receivables further (adjusted for exchange rate effects) and generate a cash inflow of € 2.0 million. A countervailing factor was the build-up of consolidated inventories, which resulted in a cash outflow of € 16.5 million. Tools that had already been delivered to customers but for which final acceptance was still outstanding accounted for a large share of the increase in inventories. The stocks of these tools rose from € 7.1 million at the end of 2009 to the current figure of € 15.8 million. In addition, very high inventories of unfinished tools existed as of the reporting date, in keeping with the high order backlog. The inventory of these unfinished tools rose from € 14.1 million at the end of 2009 to the current figure of € 23.8 million.

Cash flow from investing activities amounted to € -2.8 million (after € -3.2 million in 2009), excluding the acquisition of HamaTech APE GmbH & Co. KG as well as the land and buildings in Sternenfels, the sale of the Test Systems business, and investments in securities. Investments were primarily made in tangible assets.

As a result, free cash flow – adjusted for extraordinary effects (the acquisition of HamaTech including land and buildings in Sternenfels and the sale of the Test Systems business) and before consideration of securities purchases – totaled € 14.1 million, compared with a free cash flow of € 8.9 million generated in the previous year.

Cash flow from financing activities reflected a cash inflow from the increase in capital stock carried out in May 2010, which resulted in a net inflow of € 6.6 million. In addition, a loan was taken out to finance the newly acquired business property in Sternenfels, which led to a cash inflow of € 4.5 million.

Aside from cash and interest-bearing securities of € 50.1 million (previous year: € 31.1 million), the Group had domestic guarantee and credit lines of € 9.5 million (previous year: € 9.0 million) at the end of the reporting year. 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 amounted to € 5.6 million.

On March 31, 2010, the previous bank consortium led by Fortis Bank was replaced by a new consortium led by BayernLB. In March 2010, SUSS MicroTec AG signed credit agreements with the new bank consortium for a credit line of € 6 million. The credit line initially runs until March 31, 2011 and was issued without covenants. Its primary purpose is to serve as backing for down payment guarantees.

In May 2010, HamaTech APE GmbH & Co. KG concluded a general credit agreement with BW Bank Mannheim for a credit line of € 1 million. The credit line runs for an indefinite term and was issued without covenants. SUSS MicroTec AG issued a binding letter of comfort for HamaTech APE GmbH & Co. KG in order to secure the credit line.

A guarantee line exists with an insurance company amounting to € 2.5 million in connection with a deposit guarantee agreement. This deposit guarantee agreement runs until further notice. As of the reporting date, utilization of this line amounted € 1.9 million. For collateralization of this line, a fixed-term deposit account of € 0.3 million was assigned to the insurance company.

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.

As in the previous year, goodwill amounted to € 13.6 million, and it was exclusively allocated to the Lithography division.

Capitalized development costs declined in the reporting year. As of the reporting date, they totaled € 7.6 million, after € 9.3 million in the previous year. The amortization of capitalized development costs exceeded capital expenditure by € 2.2 million in the past fiscal year, which led to a corresponding charge in the statement of income. The increase in capitalized development costs denominated in US dollars of € 0.5 million as a result of exchange rate effects had a countervailing effect. With the transfer of the entire Substrate Bonder IP from SUSS MicroTec Inc., Waterbury, to SUSS MicroTec Lithography GmbH, all capitalized development costs are now denominated in euros. As a result, no additional changes in value are expected as a result of fluctuating exchange rates in the coming years. Capitalized development costs as of the reporting date were composed of € 2.6 million (previous year: € 3.3 million) for the Lithography division and € 4.9 million (previous year: € 6.0 million) for the Substrate Bonder division.

In addition, noncurrent assets encompass licenses and patents of € 3.8 million (previous year: € 4.5 million) as well as leased items (SAP licenses). The residual book value of € 3.8 million was composed of € 1.6 million (previous year: € 0.8 million) for the Lithography, Substrate Bonder, and Photomask Equipment divisions and € 2.2 million (previous year: € 3.7 million) for the Others division.

Furthermore, the technology obtained as part of the HamaTech acquisition, which carried a residual book value of € 0.6 million as of the reporting date, is recognized under intangible assets.

Tangible assets are less significant for the assets position of the Group, as it does not typically rely on cost-intensive production equipment. Capital expenditure amounted to € 7.4 million in the reporting year, as compared with € 0.4 million in the previous year. The largest capital expenditure item was for the purchase of real estate and land in Sternenfels as part of the HamaTech acquisition at a cost of € 4.5 million during the fiscal year. Capital expenditure in the reporting year also included the addition of HamaTech APE GmbH & Co. KG's tangible assets, which totaled € 0.4 million at the time of initial consolidation. In sum, tangible assets increased by € 5.3 million compared to the previous year.

Deferred tax claims increased by € 1.1 million, primarily as a result of higher temporary differences in the area of intangible assets, and amounted to € 8.9 million as of the reporting date.

Current assets rose considerably in the year under review, from € 96.5 million as of the previous year's reporting date to € 137.2 million. This improvement was primarily driven by developments in inventories as well as in securities and cash funds.

Inventories increased from € 40.8 million as of the previous year's reporting date to € 64.4 million. Of this, € 5.6 million related to the inventories of HamaTech APE GmbH & Co. KG, which were added to consolidated assets as a result of the acquisition. An additional increase of € 1.5 million resulted from the revaluation of inventories reported in foreign currencies due to changes in exchange rates. Furthermore, stocks of tools that had already been delivered to customers but for which final acceptance was still outstanding rose by approximately € 7.1 million to € 15.8 million. Due to the large order backlog, the inventory of unfinished tools was unusually high as of the reporting date, amounting to € 23.8 million (after € 14.1 million at the end of 2009).

Trade receivables grew slightly compared to the previous year, going from € 14.8 million to € 15.7 million. The increase resulted in part from receivables of € 1.6 million which were acquired as part of the HamaTech APE GmbH & Co. KG purchase. In addition, changes in exchange rates boosted foreign currency receivables by € 1.1 million. However, adjusted for exchange rate and extraordinary effects, the level of receivables declined by € 1.8 million, which was primarily attributable to an efficient receivables management.

The SUSS MicroTec Group's portfolio of securities increased in 2010 from € 10.5 million to € 16.0 million. For one, SUSS MicroTec AG obtained 747,530 shares in Cascade Microtech Inc., Beaverton, Oregon (USA), which were valued at € 2.4 million as of the reporting date, upon the sale of shares in SUSS MicroTec Test Systems GmbH. And second, securities amounting to approximately € 6.1 million were acquired in 2010 using the free cash flow generated. The securities recognized consist of corporate and government bonds.

The rise in other assets from € 1.6 million in the previous year to € 3.4 million at the end of the year was primarily attributable to high VAT receivables, which arose due to the reporting date.

Noncurrent liabilities increased from € 20.0 million to € 21.0 million. Financial debt grew from € 11.0 million to € 14.5 million, primarily as a result of taking up a loan for financing the Sternenfels property. By contrast, deferred tax liabilities declined from € 5.2 million to € 2.7 million. The primary reason for this decline was the sale of the Substrate Bonder IP, which included all capitalized development costs in the Substrate Bonder division, by SUSS MicroTec Inc., Waterbury, to SUSS MicroTec Lithography GmbH. As a result, it was possible to eliminate deferred tax liabilities in the USA on temporary differences in connection with the capitalized development costs of approximately US$ 3.3 million.

Current liabilities recorded a significant increase from € 30.4 million in the previous year to € 54.2 million as of the reporting date. Customer down payments that were received, which rose from € 12.1 million as of the previous year's reporting date to € 23.6 million, accounted for the majority of this increase. The high level of trade payables, which amounted to € 9.7 million as of the reporting date (after € 4.5 million at the end of 2009), also contributed to this growth. Provisions, which increased from € 1.8 million in the previous year to currently € 4.6 million, included the restructuring provision of € 1.5 million for the relocation of the Substrate Bonder division. In addition, other financial liabilities reflected high bonus and commission provisions of € 2.8 million (2009: € 1.8 million) resulting from positive sales and earnings development.

The shareholders' equity of the SUSS MicroTec Group has climbed since December 31, 2009 by € 20.3 million to € 106.4 million. However, the equity ratio declined as a result of a sharp rise in total assets from 63.1 % in the previous year to 58.6 %.

The increase in capital stock carried out on May 10 / 11, 2010 resulted in 1,701,912 shares being issued at a price of € 4.00 per share. The gross inflow of funds amounted to € 6.8 million. As a result, common stock increased by € 1.7 million. € 5.1 million was added to additional paid-in capital. The transaction costs for carrying out the increase in capital stock totaled approximately € 0.2 million. They were deducted from additional paid-in capital.

Summary Statement on the Business Position

The sales and earnings position of SUSS MicroTec was very pleasing in the reporting year and exceeded all expectations. As the cost-saving program begun in the two preceding years was systematically continued, SUSS MicroTec was able to achieve EBIT of € 14.3 million (continuing operations) and an EBIT margin of 10.3 %.

As a result of a significantly enhanced net cash position of € 34.6 million (previous year: € 18.4 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.

In the reporting year, SUSS MicroTec AG acquired the new business property and facility in Sternenfels for a sales price of approximately € 4.5 million. HamaTech is located there with the Photomask Equipment division as well as SUSS MicroTec Lithography GmbH with a portion of the Lithography division. Since the beginning of 2011, the Substrate Bonder division – another division of SUSS MicroTec Lithography GmbH – has also been located in Sternenfels. Furthermore, as a result of the acquisition of HamaTech APE GmbH & Co. KG, all of its tangible assets were recognized in the reporting year as investments in tangible assets as of the time of initial consolidation.

A 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 25% to 35% of development expenditure will be capitalized. The remaining amount will be recorded as expenses.

In the past fiscal year, the roll-out of the SAP ERP system continued, after already having been successfully introduced at first Group subsidiaries. Thus, the SAP system was successfully introduced at SUSS MicroTec (Taiwan) Company Ltd., where it went into operation in May 2010. In 2011, SUSS MicroTec Inc., at its new site in Sunnyvale, California, will be integrated into the Group-wide SAP system. In the previous year, a portion of the project valued at € 3.0 million was successfully refinanced through a sale and leaseback transaction.

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 is primarily refinanced by allocating costs to the operating companies, through interest income from loans to subsidiaries, and through existing profit and loss transfer agreements.

Significant Changes in the Assets and Financial Position
Intangible assets decreased in the past fiscal year by € 1.0 million and amounted to € 2.7 million as of the reporting date. The decline was attributable exclusively to amortization.

Shares in affiliated companies declined in the reporting year due to the sale of SUSS MicroTec Test Systems GmbH by € 5.1 million and amounted to € 56.1 million as of the reporting date.

The decline in loans to affiliated companies resulted from unscheduled repayments by SUSS MicroTec Inc. of € 10.5 million and scheduled repayments of € 0.3 million. Additions reflected the acquisition of HamaTech APE GmbH & Co. KG and a shareholder loan of € 4.3 million received in connection with the acquisition.

Current receivables from affiliated companies rose by € 3.3 million. The rise in current receivables was primarily attributable to an increase in current loans to SUSS MicroTec KK.

SUSS MicroTec AG continued to expand its liquidity position in the year under review. The expansion was primarily the result of the positive free cash flow of the subsidiaries associated with the corporation through the Group cash pooling. The improved liquidity position can be seen in both the rise in deposits with banks of € 14.8 million and the increase in the portfolio of securities held totaling € 5.5 million. The securities concerned are primarily corporate and government bonds. In addition, 747,530 shares in Cascade Microtech Inc. are recognized under securities. These shares were acquired in connection with the sale of SUSS MicroTec Test Systems GmbH.

Liabilities to affiliated companies declined by € 2.5 million in the reporting year. The decline was attributable to SUSS MicroTec Lithography GmbH.

Liabilities to banks increased over the course of 2010 by € 4.5 million. SUSS MicroTec AG concluded a loan agreement with a local bank in order to finance the newly acquired business property in Sternenfels. The loan, which totals € 4.5 million, runs until June 30, 2020. The promissory note bond due in December 2012 remains unchanged.

The increase in shareholders' equity (€ +13.2 million) resulted primarily from the net profit for the year (€ 6.2 million) and the increase in capital stock carried out in May 2010 (€ 6.8 million).

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 profit of € 6.2 million was generated in the 2010 fiscal year (previous year: net loss € -18.0 million).

As a result of the profit and loss transfer agreement with SUSS MicroTec Test Systems GmbH, Sacka, which remained in effect until January 27, 2010, an expense for loss assumption of € 0.3 million was recognized at the holding company (previous year: loss of € 0.8 million). The profit and loss transfer agreement with SUSS MicroTec Reman GmbH, Oberschleißheim, Germany, which was concluded in the 2008 fiscal year, resulted in an expense for loss assumption of € 1 thousand at the holding company (previous year: € 92 thousand).

Other operating income primarily included foreign currency gains of € 4.0 million (previous year: € 1.3 million) and the gain from the disposal of the investment in SUSS MicroTec Test Systems GmbH, Sacka, of € 4.8 million.

Presentation of the Key Financial Figures of the Holding Company

Entity	SMT AG (HGB)			
in € thousand	2010	2009	Change	in %
Annual net profit / loss	6,217	-18,030	24,247	> 100%
Shareholders' equity	91,843	78,623	13,220	17%
Total assets	126,414	110,694	15,720	14%
Equity ratio in %	73%	71%		
Noncurrent assets	68,422	76,501	- 8,079	-11%
...% of total assets	54%	69%		
Current assets	57,992	34,193	23,799	70%
...% of total assets	46%	31%		

Other operating expenses comprise – in addition to ongoing administrative expenses – the costs of the increase in capital stock (€ 0.2 million), legal and consulting expenses related to the sale of SUSS MicroTec Test Systems and the purchase of HamaTech APE (€ 0.8 million), the costs of introducing SAP in Taiwan (€ 0.3 million), and expenses resulting from a cooperative agreement between the Company and the IMEC research institute in the area of wafer bonding solutions for 3D integration applications (€ 0.8 million). Foreign currency losses amounted to € 1.0 million in the fiscal year, after € 1.3 million in the previous year.

Earnings from shareholdings of € 0.6 million (previous year: € 0.4 million) include payouts by the subsidiary SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan.

Interest expense declined in the fiscal year by € 0.08 million, which was primarily attributable to the Company's expanded liquidity position.

SUSS MicroTec AG had an average of 19 employees in the 2010 fiscal year (previous year: 19 employees).

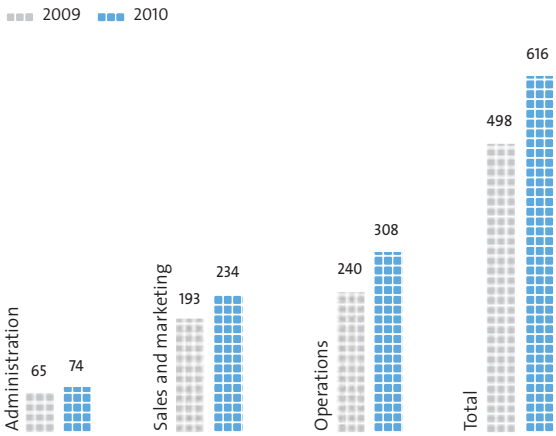
In addition to the development of the US dollar, the short and medium-term development of SUSS MicroTec AG above all depends on how the financial and earnings position of important subsidiaries develops. The financial and earnings position of the subsidiaries is critical for the level of the interest-bearing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

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 payment are the basic requirements for retaining existing employees as well as recruiting qualified new employees.

As of the end of the 2010 fiscal year, the Group had 616 employees (previous year: 498). The number of employees for the previous year is shown on the basis of continuing operations.

DEVELOPMENT OF THE NUMBERS OF EMPLOYEES BY DIVISION



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

As a result of the increase in capital stock using approved capital, which was recorded in the Commercial Register, on May 20, 2010, SUSS MicroTec AG's common stock increased to € 18,721,038. It is divided into 18,721,038 no-par-value, ordinary bearer shares. There are no stock categories that carry differing rights.

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

As of the reporting date, there are no direct or indirect investments in the capital of SUSS MicroTec AG that exceed 10 %.

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 appoint 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).

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 € 2,552,863 through the issuance of up to 2,552,863 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 in SUSS MicroTec AG representing 50 % or more of the voting rights.

With each of the two banks of the existing consortium, there is a bilateral credit relationship with a common pool of collateral. These relationships have different structures and conditions. One 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, 2011, 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 *http://www.suss.com/en/investor-relations/corporate-governance/declaration-on-corporate-governance.html*

EVENTS AFTER THE REPORTING DATE

SPECIAL EVENTS AFTER THE REPORTING DATE

On March 11, 2011, Japan was hit by a severe earthquake and a tsunami. Elements of the country's infrastructure and numerous production sites were in some cases very badly damaged. In addition, Japan is now threatened by further tremors and the negative consequences of a nuclear catastrophe. The resulting impact on the global economy in 2011 is not yet foreseeable.

In the past fiscal year, SUSS MicroTec generated approximately 5% of its sales with Japanese customers. We anticipate a 5 to 7% share of sales from the Japan region for 2011. To this extent, it is possible that the natural disaster in Japan could have a negative effect on our targets for 2011 (sales, order entry). Our supply chain could also be affected by the economic repercussions in Japan, although SUSS MicroTec itself only maintains a few direct supplier relationships with Japanese manufacturers. At the current time, however, it is not possible to place a numerical value on what the implications of this could be.

VOTING RIGHTS DISCLOSURE AFTER THE REPORTING DATE

On January 13, 2011, Süssvest, SCS, Strassen, Luxembourg, notified us pursuant to Section 21 (1) German Securities Trading Law (WpHG) that on January 11, 2011, its share of voting rights in SUSS MicroTec AG, Garching, Germany, had fallen below the threshold of 3% and amounted on this day to 2.3078% (432,049 voting rights).

On January 13, 2011, Stichting Vest, Amsterdam, Netherlands, notified us pursuant to Section 21 (1) German Securities Trading Law (WpHG) that on January 11, 2011, its share of voting rights in SUSS MicroTec AG, Garching, Germany, had fallen below the threshold of 3% and amounted on this day to 2.3078% (432,049 voting rights). Pursuant to Section 22 (1)(1)(1) German Securities Trading Law (WpHG), 2.3078% (432,049 voting rights) are attributable to Stichting Vest.

On January 13, 2011, Crest Capital S.A., Strassen, Luxembourg, notified us pursuant to Section 21 (1)(1) German Securities Trading Law (WpHG) that on January 11, 2011, its share of voting rights in SUSS MicroTec AG, Garching, Germany, had fallen below the threshold of 3% and amounted on this day to 2.3078% (432,049 voting rights). Pursuant to Section 22 (1)(1)(1) German Securities Trading Law (WpHG), 2.3078% (432,049 voting rights) are attributable to Crest Capital S.A.

On February 1, 2011, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified us pursuant to Section 21 (1) German Securities Trading Law (WpHG) that on February 1, 2011, its share of voting rights in SUSS MicroTec AG, Garching, Germany, had fallen below the threshold of 3% and amounted on this day to 2.94% (550,000 voting rights).

On March 4, 2011, Credit Suisse Fund Management S.A, Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) WpHG that on February 18, 2011, its share of voting rights in SUSS MicroTec AG, Garching, Germany, exceeded the threshold of 3 % and amounted on this day to 3.35 % (627,435 voting rights). Pursuant to Section 22 (1) (1) (6) WpHG, 0.99 % (185,380 voting rights) are attributable to it.

RISK REPORT

RISK MANAGEMENT SYSTEM

The risk management system has long been a component of 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 SUSS MicroTec Group also deals with long-term (strategic) developments that can have a negative impact on the business development. 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 early identification 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 subject known risks to 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, taking 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 damage amount of € 0.5 million with a probability of occurrence greater than 50 %.

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 management 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 early identification 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 accounting manual 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 introduced at the German companies as early as 2008. In the current fiscal year, SAP was implemented at SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan. 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 separate 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 separate 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 through 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. In 2010, the global economy emerged more quickly from the deep recession than had been expected a year ago. Particularly in the first half of 2010, global gross domestic product grew robustly. The economic momentum was particularly shaped by the emerging countries, which were either unaffected by the financial crisis or affected much less severely so that they quickly resumed their previous growth rates. Additional stimulus came from the in part very expansive monetary and fiscal policies of several countries as well as from surging world trade, from which the German economy in particular was able to benefit substantially. As the year progressed, however, the economic recovery in many countries slowed. Overall, the world economy is likely to have grown at a rate of 3.7 % in 2010 – after a decline of 1 % in the previous year.

The improved macroeconomic environment has had a very positive impact on the orders position and the sales and earnings development of all our products. In particular, rising demand for our products in Taiwan and China made a decisive contribution to the increase achieved in sales and earnings.

Cyclical Market Fluctuations and Market Development
The difficulty in assessing the 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 certain areas, primarily in the field of research and development. If these employees are unavailable to the Group, this presents a corresponding risk. This is limited via internal documentation requirements.

OPERATING RISKS

Assets and Earnings Position
In view of the extremely positive development of cash and cash equivalents, the high equity ratio, and the lean cost structure, the risks that could arise for SUSS MicroTec from the current assets and earnings position are manageable. The break-even point for sales is currently significantly lower than the sales generated in 2010. Taking into account the order backlog on the books at the end of 2010, we will generate sales significantly above the break-even point in 2011 as well.

As of December 31, 2010, SUSS MicroTec recognized goodwill of approximately € 13.6 million, which was entirely attributable to the Lithography division. The Lithography division generated more than half of Group sales and contributed substantially to positive consolidated earnings. We expect for 2011 even higher sales and sustainably positive earnings in the Lithography division. We therefore do not see any sign of impairments in this division.

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 in the manufacturing environment of companies with rising demands on 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

In February 2010, SUSS MicroTec AG acquired HamaTech APE GmbH & Co. KG. Acquisitions contain inherent risk 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 as expected economically 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. However, the sales and earnings development in 2010 as well as the extremely positive orders position of HamaTech APE GmbH & Co. KG demonstrates that our expectations have been met and the integration of HamaTech into the SUSS MicroTec Group has been carried out very successfully.

Relocation of the Substrate Bonder Division to Germany

The following possible risks were identified in connection with the relocation of the Substrate Bonder division and the North American sales and service organization from Waterbury, Vermont (USA), to Sternenfels, Germany, and California, respectively.

In order to successfully relocate and continue the Substrate Bonder division, SUSS MicroTec needs to preserve the expertise of its North American employees and transfer it to the employees who will in future be working in Sternenfels and California. To ensure that knowledge is transferred adequately, it is necessary that a large number of the employees who have worked in Waterbury up until now remain at SUSS MicroTec at least until the end of 2010 or the end of the first quarter of 2011. In addition, SUSS MicroTec is employing select staff members from Waterbury temporarily in Sternenfels beyond the end of 2010 in order to retain as much expertise as possible. The SUSS MicroTec Group regards as a risk the possibility that this transfer of expertise may not occur to the extent needed. First, employees of SUSS MicroTec Inc. could leave the Company early and would therefore no longer be available to transfer knowledge. Second, select employees of SUSS MicroTec Inc. in Waterbury may not be sufficiently willing to move temporarily to Sternenfels or California in order to provide active support in transferring expertise. In order to minimize this risk, teams from Germany were assembled, which were active in Waterbury for several months to support the transfer of expertise and to acquire as much of the available knowledge and experience as possible. At the same time, select employees in Waterbury were made attractive offers in order to incentivize them and increase their willingness to remain at SUSS MicroTec until the final closure of the Waterbury site or (temporarily) move to Sternenfels and participate beyond 2010 in the reorganization and expansion of the Substrate Bonder division. In January 2011, ten employees from Waterbury moved to Sternenfels for a period of 6 to 15 months in order to actively support the reorganization of the Substrate Bonder division in Germany with their experience and knowledge.

The SUSS MicroTec Group (via an ad hoc announcement on June 10, 2010) provided timely notification of the details and schedule of the relocation of the Substrate Bonder division and the North American sales and service organization. There is a potential risk that these plans will lead to uncertainty among customers, who could become reluctant to submit new orders. SUSS MicroTec is countering this risk by communicating openly and transparently with customers and providing information about all pending measures and their impact. Simultaneously, both the transfer team from Germany and the employees still working in Waterbury have been made aware of, and sensitized to, this risk. Furthermore, the substantial investments and measures recently implemented show that SUSS MicroTec anticipates significant growth in the Substrate Bonder division in the months and years to come and is keen to retain existing customers and acquire new ones. So far, neither cancellations nor delays in order entry have been reported in the Substrate Bonder division. Instead, some customers have even welcomed the relocation that is underway because they assume that the planned steps will lead to the strengthening of supplier relationships with SUSS MicroTec. Therefore, this risk is regarded as negligible.

Even after the relocation of the Substrate Bonder division from Waterbury to Sternenfels, SUSS MicroTec plans to maintain existing supplier relationships (primarily with US suppliers), given positive experience in the past. The risk exists that the supply chain could be disrupted in view of the geographical distance and transnational differences. Delays in order processing and production could result. SUSS MicroTec is countering this risk by keeping North American suppliers apprised of all steps in the move and actively involving them in the process of relocation. At the same time, SUSS MicroTec is offering suppliers support in processing export transactions and is helping them with transnational formalities.

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 by 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 trade receivables totaling € 16.4 million (previous year: € 15.2 million), € 6.8 million overall was neither overdue nor impaired as of the reporting date (previous year: € 11.9 million). As of December 31, 2010, 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	2010	2009
1 – 30 days	2,164	1,134
31 – 60 days	1,645	652
61 – 90 days	2,211	541
Overdue receivables without impairment	**6,020**	**2,327**

As of the reporting date, a total of € 3.6 million (previous year: € 1.0 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 Receivables with Impairment

in € thousand	2010	2009
91 – 180 days	1,802	579
181 – 360 days	1,239	210
> 360 days	557	224
Overdue receivables with impairment	**3,598**	**1,013**

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

Liquidity Risks

As of the end of the year, SUSS MicroTec Group held net cash of € 34.6 million (previous year: € 18.4 million). Free cash flow totaled € 14.1 million in the past fiscal year (previous year: € 8.9 million). Based on the currently very positive financial and earnings situation and positive planning for 2011, SUSS MicroTec will be able to fulfill the applicable covenants stemming from the existing promissory note bond, which was issued in 2007 in an amount of € 9 million, in 2011 as well.

Within the scope of a bank consortium, two banks are currently providing a credit line of € 6.0 million with an initial term until March 31, 2011. In addition, there is a guarantee line of € 2.5 million with an insurance company. An additional credit line of € 1.0 million is available to HamaTech APE GmbH & Co. KG. At present, the Company is making use of these credit and guarantee lines in order to offer down payment guarantees in the operational business. Should the Company be unable to extend the credit line of the bank consortium beyond March 31, 2011, in the future the Company would have to do without down payments from individual customers that insist on guarantees of this kind. This would, in turn, require complete prefinancing of customer orders and increase the likelihood of order cancellations.

Minimizing the dependence on borrowed capital, particularly short-term 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 within the scope of its normal operating activities. Currency hedging is carried out 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 the Note (29).

The sensitivity to exchange rates 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 € 501 thousand as of the reporting date (previous year: € 421 thousand) 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 (in € thousand):

	2010		
in € thousand	USD	JPY	Total
Cash and cash equivalents	5,573	374	5,947
Accounts receivable	3,694	1,344	5,038
Accounts payable	-683	-58	-741
Customer down payments	-4,729	0	-4,729
Net exposure	**3,855**	**1,660**	**5,515**
Effect of a 10% appreciation of the euro on annual net income	-350	-151	-501

	2009		
in € thousand	USD	JPY	Total
Cash and cash equivalents	1,450	703	2,153
Accounts receivable	2,887	1,680	4,567
Accounts payable	-678	-111	-789
Customer down payments	-1,303	0	-1,303
Net exposure	**2,356**	**2,272**	**4,628**
Effect of a 10% appreciation of the euro on annual net income	-214	-207	-421

The Company's interest rate risk is limited, as the variable components of the promissory note bond issued 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. The variable rate loan related to the financing of the property in Sternenfels was also secured via an interest rate swap with a matching term.

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 in the Group in the 2010 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

FORECAST REPORT

The year 2010 turned out significantly better than had been expected at the beginning of the year. The ramifications of the crisis so far for Germany have been less severe than for other industrialized countries. As a result, Germany's companies have a good chance of returning to their performance prior to the crisis. However, it must not be forgotten that the effects of the crisis on the real economy are still considerable and that the global economy is navigating uncertain waters. In its annual forecast for 2011, the German federal government anticipates a continuation of the recovery and growth of real gross domestic product of 2.0 %. For the world economy as a whole, the government expects growth in 2011 as high as approximately 2.8 %.

SUSS MicroTec also experienced a significant recovery, reflecting economic and industry conditions, in both order entry and sales in the past fiscal year. The increased demand for semiconductor equipment was driven not least of all by the positive mood in global markets. Against the backdrop of generally positive expectations on the part of market and industry observers, but also taking into account the continuing tense mood in financial markets, SUSS MicroTec is assuming positive development of order entry, sales, and earnings in 2011.

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

The global economic recovery is also reflected in rapidly growing demand for semiconductor products. The sector was able to expand by more than 30 % compared with the previous year, thus reaching a sales volume of approximately US$ 304 billion. However, here too the performance over the entire year turned out much better than had been expected at the beginning of the year.

For 2011, the iSuppli market research institute anticipates additional worldwide sales growth compared with the previous year, albeit on a significantly lower scale. It is expected that the market will grow by approximately 5 % from the previous year and could reach a total volume of approximately US$ 320 billion by the end of 2011. A reason cited for the slowdown in growth is the disappearance of multiplier effects from 2010. What is meant here are for example the buildup of inventories in 2010 and "positive" price pressure arising from the surge in demand.

SEMICONDUCTOR EQUIPMENT INDUSTRY

According to the Gartner market research institute, the semiconductor equipment industry recorded growth of more than 130 % in 2010. This rapid expansion, which was primarily attributable to weak investments in 2009, is not expected to continue in 2011. For 2011, the market for semiconductor equipment manufacturers is expected to stagnate. However, Gartner anticipates additional market growth of approximately 7 % for the specialty area of packaging and assembly.

EXPECTED DEVELOPMENT ON THE MAJOR MARKETS

Microelectromechanical Systems Market
After a year without noteworthy growth, the market for microelectromechanical systems (MEMS) regained significant momentum. In particular, the areas of consumer electronics, mobile communications, and automotive

electronics were drivers of this growth. In 2010, market growth reached approximately 18 %, according to iSuppli. From 2011 to 2014, average annual MEMS growth is expected to be approximately 10 %.

The areas of consumer electronics, mobile communications, and increasingly in the future the so-called tablet computers are cited as reasons for the expected growth. iSuppli anticipates growth of more than 25 % for the areas of consumer electronics and mobile communications in 2011, similar to the growth rate in 2010. Industrial applications are another growth market, where the use of MEMS sensors in process guidance and automation plays an important role. In several currently quite small application areas, such as medical technology or the energy industry, growth rates in excess of 10 % are expected in the future precisely in the area of high-value MEMS applications.

However, 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 an ever increasing number of MEMS components per tool to be produced.

Advanced Packaging and 3D Integration

As for wafer level packaging (advanced packaging), the researchers from electronics.ca (as of November 2010) forecast a rise in advanced packaging wafers from 6.8 million to 16.8 million for the period from 2009 to 2014. This is an average annual growth rate of approximately 20 %. The Yole Développement market research institute reaches a similar estimate, namely 21 % average annual growth through 2013. So-called "fan-out" advanced packaging's share of the market will rise to 6 % from the current share of only approximately 2 %.

The expected growth rates for 3D integration are expected to be significantly higher. Yole anticipates annual growth for 3D integration of approximately 50 % from 2010 to 2015, with the area of storage media showing particularly strong growth. However, a proportionate increase in equipment cannot be assumed in the interpretation of figures.

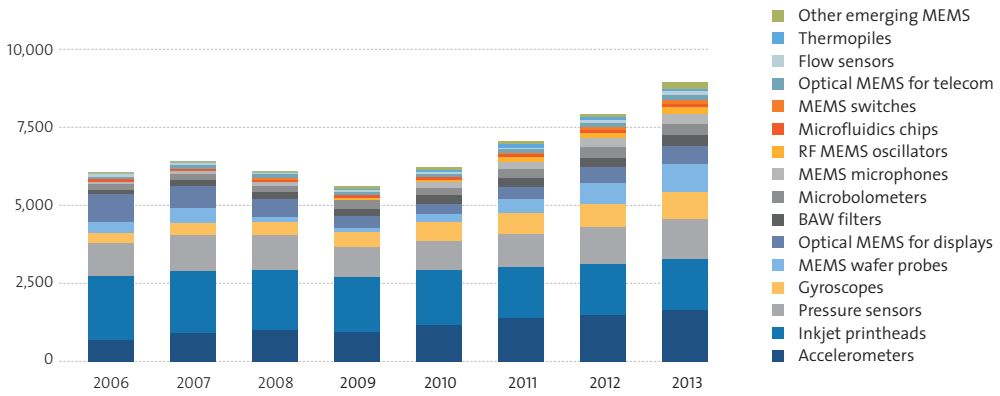
Compound Semiconductors (LEDs)

In the market for compound semiconductors, 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. SUSS MicroTec is actively involved in the latest generations of technology, which specifically require thin wafer handling.

THE MEMS MARKET

in US$ million

Source: iSuppli press release, January 2011



According to analysts from IMS Research, the market for packaged LEDs grew by approximately 67 % in 2010. For 2011, additional growth of 25 % is expected. The market researchers from Yole Développement similarly anticipate average annual growth of approximately 28 % from 2009 to 2015. However, the continuation of this trend is substantially dependent on economies of scale effects during LED manufacturing and the luminance and energy conservation properties of future LED generations. The current growth phase is primarily driven by LED televisions, displays, cellular telephones, and other hand-held devices. In the future, the solid state lighting segment will gain considerably in significance.

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 2010 fiscal year, the Company entered into cooperative development agreements with well-known partners from industry and research. In December for example, a cooperative agreement was concluded with Rolith Inc., which involves the development of innovative nanolithography technologies. In cooperation with the Fraunhofer Institute for Surface Engineering and Thin Films (IST), SUSS MicroTec introduced "SELECT" to the market. It represents an upgrade for Bond Aligner and Mask Aligner technology, which enables the selective plasma activation of parts of wafer surfaces. In addition, SUSS MicroTec is hoping that the consolidation of research and development activities in Sternenfels will spur further innovation and growth.

STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP

In 2010, the global economy finally overcame the crisis and experienced a significant revival in business activity. So far, volatility in the international financial markets has not been able to place a damper on the development of demand. However, concerns about industrialized countries' sharply increased debt levels and related doubts about the solvency of several countries in the eurozone in particular are currently shaping political and entrepreneurial thinking and activity. Against the backdrop of a generally positive mood in the global markets, but also taking into account not insignificant uncertainty regarding the future of the European economic zone, our forecasts appear optimistic compared with the previous year's. Aside from the macroeconomic landscape, we see that the trends driving SUSS MicroTec's business remain in place.

For 2011, Gartner expects the market for semiconductor equipment manufacturers to stagnate. However, Gartner anticipates market growth of approximately 7 % for the specialty area of packaging and assembly.

For the 2011 fiscal year overall, we are projecting sales of more than € 170 million and a further improvement in the EBIT margin over 2010. From today's perspective, free cash flow could reach an amount in the double-digit millions.

Should the markets we target develop in the manner described above and SUSS MicroTec Group continues to succeed in consistently positioning its product range to match market requirements, we anticipate rising order entry and sales in 2012 as well. Depending on sales growth, it appears possible to reach an EBIT margin in the 10 %–15 % range over the medium term. 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 18, 2011
The Management Board

Frank Averdung
Chief Executive Officer

Michael Knopp
Chief Financial Officer