

# COMBINED GROUP MANAGEMENT REPORT

of SUSS MicroTec AG for the 2012 Fiscal Year

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## Business and General Conditions

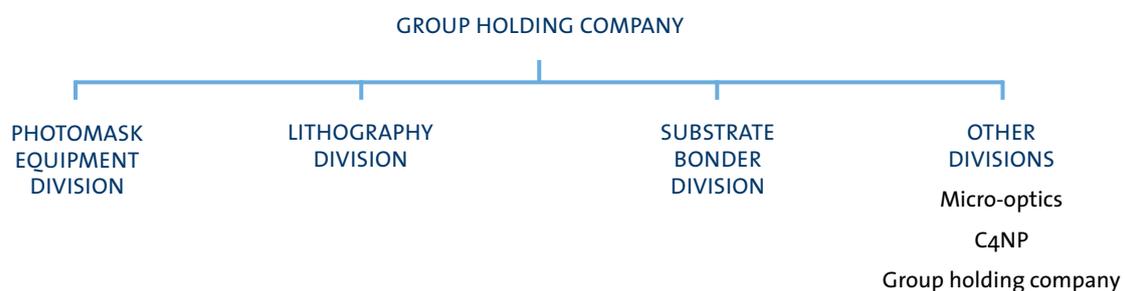
### GROUP STRUCTURE AND BUSINESS ACTIVITIES

#### 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.

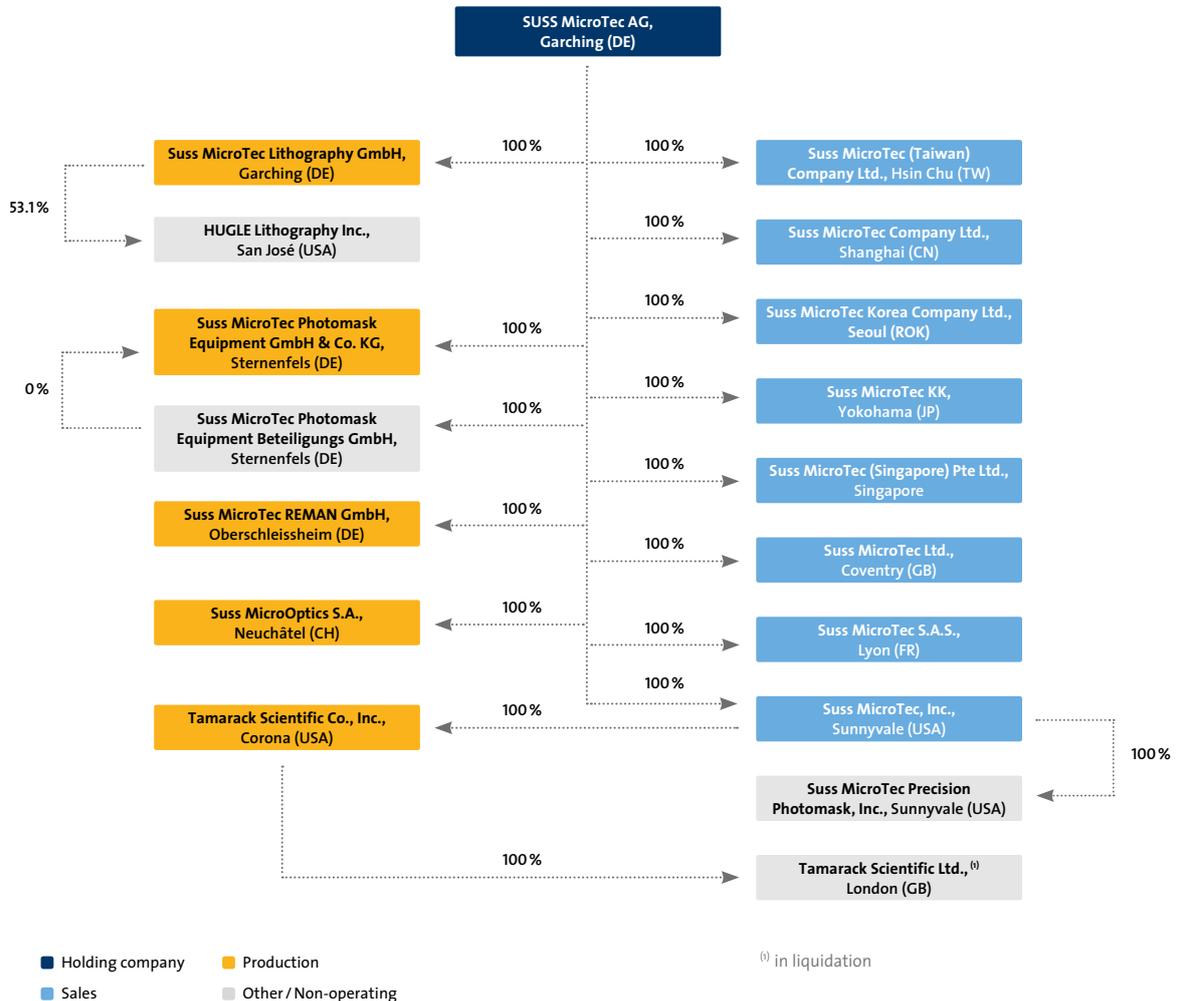
As of December 31, 2012, the Group is comprised of four divisions, with the Others division composed of several smaller sub-units each managed separately. Through the acquisition of HamaTech APE GmbH & Co. KG (now named: Suss MicroTec Photomask Equipment GmbH & Co. KG), a new division – the Photomask Equipment division – was created in the 2010 fiscal year. Tamarack Scientific Co., Inc., which was acquired in March 2012, is assigned to the Lithography 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 and service activities for the Group are each organized within the subsidiaries. The Group has locations in Germany, the United States, Great Britain, France, Switzerland, Japan, China, Singapore, Korea, and Taiwan.

In addition, a non-controlling interest of 10% in ELECTRON MEC S.R.L., Milan (Italy), still exists. This non-controlling interest is insignificant for the operational business.



## 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 an optional 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.

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 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 appropriate complementary products.

## RESEARCH AND DEVELOPMENT

With each new product generation, the manufacturers of electronic devices such as smartphones or tablet computers increase the performance of their products while the price remains stable or even drops. The most important driver of this development is the semiconductor sector, which brings smaller and simultaneously better microchips to the market almost every year. Achieving higher performance in less and less space requires a steady refinement of fabrication technologies and thus a high level of investments and expense for research and development. Along with the steady reduction of structure sizes, important development topics in the semiconductor sector are the introduction of extreme ultraviolet lithography to the mass market, the use of 450mm wafers, and the stacking of thinned microchips (3D integration). In its application areas, SUSS MicroTec actively participates in the further development and refinement of tools and processes that support another increase in the performance of electronic devices. We have put together an overview of our research and development activities in 2012 by division below.

### LITHOGRAPHY

The largest division, Lithography, combines the product lines Exposure (Mask Aligner, UV tool sets), Laser Processing, and Coater / Developers.

The Mask Aligner, which is SUSS MicroTec's most successful product, celebrates its 50th birthday this year. Despite the maturity of Mask Aligner technology, further developments are continuously being made in response to customer demands. A series of improvements was made to the MA150e in the past fiscal year in order, for example, to increase throughput or to improve image processing through the use of a new standard.

Within the framework of the European project JEMSIP3D, a prototype of an innovative 12" Mask Aligner was produced.

In the Coater/Developer area, SUSS MicroTec introduced ACS200 Gen3, the next generation 200mm platform for high-volume production. The system can be configured very flexibly and has the best cost of ownership to footprint ratio in its class. The four modules can be expanded to as many as 19 hotplates, whereas the predecessor model could only be expanded to a maximum of 7 hotplates. In addition, the ACS200 Gen3 contains a new Coater module, which is designed for a combination of high performance and short cleaning times and thus represents the systematic continuation of our focus on optimizing cost of ownership. The target markets are primarily advanced packaging in high-volume production but also the MEMS and LED market. The ACS200 Gen3 combines the two previous platforms ACS200Plus and GAMMA.

In addition, the ACS200 GEN3 platform was enhanced with Taiko wafer handling, which enables the processing of Taiko wafers on our automated 300mm Coater/Developer devices. These wafers are applied primarily in the area of power devices. Taiko wafers are thinned in the middle. The membrane formed in the middle can be up to 50µm thin. Since the wafer's edge retains its original thickness, the wafer still has very high stability. An additional advantage of this wafer is that no edge disruptions can emerge during handling.

With RCD8, SUSS MicroTec has developed a new manual device platform for the coating and developing of substrates. This new platform is characterized by a high degree of application area flexibility combined with lower investment costs. The RCD8 is the only tool on the market that offers the option to convert from a spin coater – with our patented GYRSET® technology – to a spray developer. In the past, dedicated Delta series tools were used for coating and developing in the areas of MEMS, LED, advanced packaging, and research and development. These different devices are now combined in the new RCD8 platform. It covers all necessary coating and development steps in the various application areas.

Finally, the development of a manual 300mm tape frame cleaner should be mentioned. The special feature here is a cleaning module in which solvents as well as acids and bases can be processed. This new product enables process evaluation in the area of temporary bonding.

#### SUBSTRATE BONDER

Lauches of products and processes as well as refinements are the foundation for the future growth of the Bonder division. In terms of technology, SUSS MicroTec relies on cutting-edge room temperature debonding processes for the temporary bonding and debonding systems used in 3D high-volume manufacturing applications. SUSS MicroTec is continually in discussions with existing and potential business partners about expanding its offerings of bonding and debonding processes meaningfully.

The latest development in bonding equipment, the XBC300 Gen2, can be configured for the permanent bonding of wafers or for the debonding and cleaning of 200mm and 300mm wafers. The new universal device platform is equipped with various process modules and can be used for all current permanent bonding processes and mechanical debonding processes at room temperature as well as the associated cleaning processes in 3D integration and 3D packaging. Using the XBC300 Gen2, permanent bonding processes can be carried out with high bonding force, for example Cu-Cu bonding, polymer and fusion bonding, and hybrid bonding processes. In addition, the XBC300 Gen2 can be configured as a debonder and cleaning device. In this case, it serves as a complementary device to the XBS300. In the XBS300, the wafers with active patterns are bonded onto a carrier wafer so that, after all processing steps

on the back side have been carried out, they can be separated (debonded) from the carrier wafer and cleaned.

For the CBC200 Bonder, which is primarily used for the MEMS and LED market, a completely closed fixture and a mechanical centering station have been developed. This enables alignment precision of  $<50\mu\text{m}$  without requiring a separate Bond Aligner and satisfies the need for optimized bonding designs with a 100% yield in LED bonds. The system offers an inexpensive and high-throughput solution for the LED market.

In addition, a project for process optimization for eutectic MEMS bonding was successfully completed on the CBC200 with a major Asian MEMS customer. The system is producing outstanding results in terms of yield and performance. The progressive miniaturization of MEMS components and the increasing requirements placed on them are stimulating the demand for metallic bonding processes in MEMS manufacturing.

#### PHOTOMASK EQUIPMENT

Innovations in the area of mask manufacturing and their use in the semiconductor frontend are driven both by the requirements of the semiconductor industry's International Technology Roadmap for Semiconductors (ITRS) as well as the specific requirements of major electrical circuit and memory chip manufacturers. Ever smaller structure sizes and ever higher integration density require the continual expansion of existing lithography technologies as well as the development of new lithography technologies. 193nm immersion lithography, which is based on the use of optical transmission masks, and EUV lithography, which uses highly sensitive reflecting masks, are the two technologies that drive developments in the market. Consequently, directly linked processing methods such as photomask cleaning, a core competence of SUSS MicroTec, needs to be adjusted. The expandability and flexibility of these process and equipment technologies are thus key requirements. Furthermore, they must be capable of covering several technology nodes.

Given the new requirement in EUV lithography to protect the back side of the Photomask as well from any damage and contamination, MaskTrackPro InSync, an automation system compatible with the dual pod system, was introduced in 2011. In this pod system, the EUV mask is put back after cleaning before it is sent back to the EUV scanner. It is therefore necessary to verify that it is clean beforehand by inspecting the back. With the integration and complete qualification of the SPARK-RIM inspection system within MaskTrackPro InSync, another significant step has been taken toward supporting the entire range of EUVL infrastructure and logistics. Additional data analysis software developed in-house enables the optimal evaluation of defect data, including the assessment that another cleaning is necessary. Such software is not found even in much more expensive frontside inspection systems.

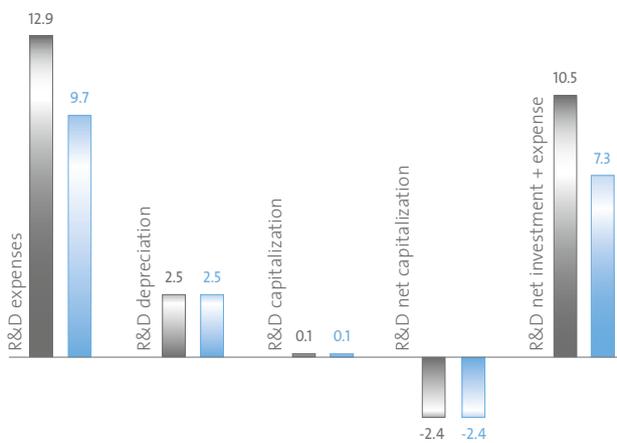
Through the introduction of new cleaning media in 2012, new processes were qualified both for EUV lithography and particularly for 193i for technology nodes  $< 22\text{nm}$ . Accordingly, another reduction in the impairment of optical properties and damage to patterns on the masks has been achieved.

With this development, SUSS MicroTec is taking appropriate steps to maintain and expand its market leadership and to offer complete solutions for EUV lithography and 193i technology.

In order to provide a comprehensive picture of the financial impact of our research and development activities, the relevant items are listed in the following table. In the year under review, write-downs for capitalized development projects again exceeded the capitalization amount. This led to a net charge in the statement of income of € 2.4 million (charge in the previous year: € 2.4 million).

**R&D EXPENDITURE** in € million

2011 2012

**R&D EMPLOYEES**

2011 2012

**OVERVIEW OF BUSINESS DEVELOPMENT****OVERALL MACROECONOMIC CONDITIONS**

Over the course of 2012, the German economy, which got off to a good start, progressively lost momentum so that a slight decline is expected to be recorded in the fourth quarter. Overall annual gross domestic product growth of 0.7% is anticipated. In addition, the global economy has increasingly slowed and lost a significant amount of dynamism since mid-2012. Overall, experts anticipate global economic growth of 2.4% in 2012, whereby the emerging countries should achieve growth of approximately 5.0%, much higher than the 1.2% growth for the advanced countries (Source: ifo Institut Munich).

**INDUSTRY-SPECIFIC CONDITIONS**

In December 2012, the Gartner market research institute forecasted a decline of approximately 3% compared to the previous year for the entire semiconductor sector, corresponding to a market volume of US\$ 298 billion. According to the SEMI market research institute, the first half of 2012 was characterized by solid customer orders in the semiconductor equipment sector. However, customer orders were much slower in the second half of the year. The reason for this was renewed macroeconomic uncertainty on the part of many customers. For 2012, a total decline in demand for semiconductor equipment of around 15% is expected.

**COMPANY DEVELOPMENT**

Despite a challenging macroeconomic environment, the SUSS MicroTec Group concluded a successful fiscal year in 2012, generating sales of € 163.8 million (previous year: € 175.4 million). Order entry increased by approximately 9.9% compared with the previous year to € 157.2 million (previous year: € 143.1 million).

As a result of the reduction in sales and an unfavorable product mix, the Company recorded lower earnings before interest and taxes (EBIT) of € 11.7 million in the 2012 fiscal year. In the previous year, EBIT totaled € 18.6 million. Cash and interest-bearing securities amounted to € 36.6 million at the end of the 2012 fiscal year. Net liquidity came in at € 32.3 million as of the end of the year (December 31, 2011: € 42.0 million). Free cash flow before the inclusion of securities sales / purchases and extraordinary effects from M&A activities came to € -4.5 million for the full year (previous year: € 3.5 million).

Order backlog as of the reporting date totaled € 86.5 million, slightly higher than in the previous year (€ 83.7 million) due to improved order entry.

The ratio of newly received orders to realized sales (book-to-bill ratio) in 2012 was 0.96 after 0.82 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.

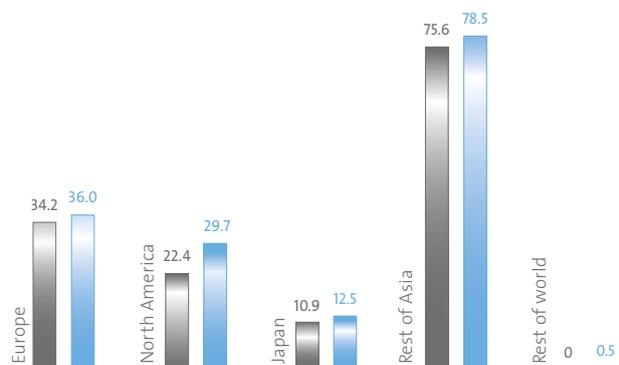
#### Order Entry by Region

Despite the weak macroeconomic situation, order entry performed well. However, uncertainty on the part of companies and consumers caused by the debt crisis in Europe led to renewed cautious ordering activity in 2012. According to VDMA, the economic expansion has also stalled in Asia. In China, weak export demand combined with the deliberate economic slowdown in 2011. Therefore, Chinese economic growth amounted to "only" 7.8-2.5 percentage points less than in 2011. Nevertheless, the products, which are specially designed for customer needs and rapidly growing markets, have stood the test in these challenging times, as SUSS MicroTec was able to report robust order entry over the course of the year.

Compared to the previous year, all regions were able to record rising order entry. In Europe, order entry rose by approximately 5% to € 36.0 million after € 34.2 million in the previous year. The region of North America also recorded an increase of 33% in order entry, achieving orders of € 29.7 million in the 2012 fiscal year (previous year: € 22.4 million). In 2012, the region of Japan recorded order entry of € 12.5 million, which represented an increase of 15% from the previous year. In its most important region, Rest of Asia (excluding Japan), SUSS MicroTec Group recorded a 4% rise in orders to € 78.5 million (previous year: € 75.6 million).

#### ORDER ENTRY BY REGION in € million

2011 2012

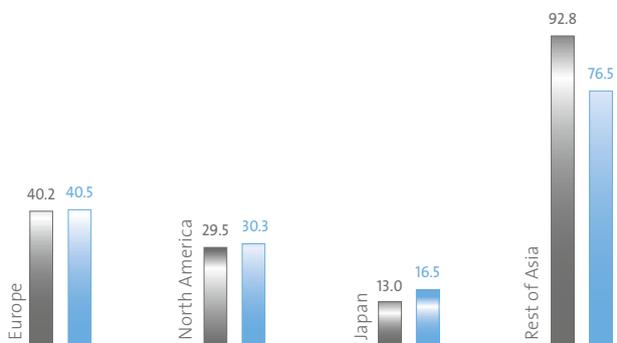


### Sales by Region

All regions, except for the Rest of Asia region, were able to grow from the previous year. In Europe, sales rose by approximately 1% to € 40.5 million after € 40.2 million in the previous year. The region of North America recorded an increase of 2.7% compared to the previous year to € 30.3 million (previous year: € 29.5 million). Japan reached € 16.5 million, also much higher than in the previous year (€ 13.0 million). Japan is one of the few industrialized countries to pursue an expansionary fiscal policy, providing corresponding economic stimuli. Only the region of Rest of Asia experienced a decline in sales, which totaled € 76.5 million in 2012, 17.6% below the previous year's sales of € 92.8 million.

#### SALES BY REGION in € million

2011 2012



### BUSINESS DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

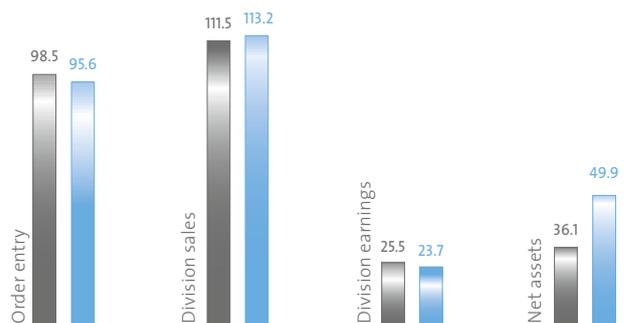
#### Lithography

The Lithography division includes the development, manufacture, and sale of the Mask Aligner, Developer, and Coater product lines. These product lines are manufactured in Germany at the locations in Garching near Munich and, since the beginning of 2010, in Sternenfels. The Lithography division was strengthened in the first quarter of 2012 by the acquisition of Tamarack Scientific Co., Inc. The company was founded in 1966 and has its headquarters in Corona in southern California (USA). Tamarack Scientific is a leading provider of UV projection lithography devices as well as laser-based microstructuring systems. With a contribution to sales of 69%, 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 (MEMS), compound semiconductors (LEDs), 3D integration, and advanced packaging.

In the 2012 fiscal year, the Lithography division generated order entry of € 95.6 million and sales of € 113.2 million, which corresponds to a slight decline of 3% in order entry and 1.5% higher sales from the previous year. Division earnings (EBIT) decreased slightly from € 25.5 million in the previous year to € 23.7 million in the past fiscal year, representing a decline of 7.3%. The gross margin of 40.7% (previous year: 43.7%) was below the previous year's level. The uncertainty of end customers and companies about the outcome of the debt crisis and possible macroeconomic consequences led to cautious ordering behavior, particularly at mid-year.

#### LITHOGRAPHY DIVISION OVERVIEW in € million

2011 2012

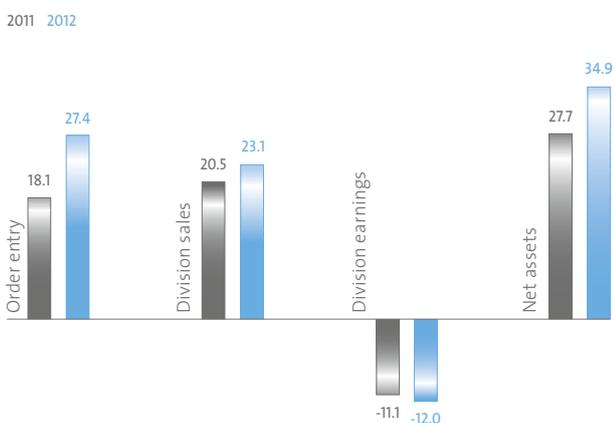


### Substrate Bonder

The Substrate Bonder division comprises the development, production, and sale of the Substrate (Wafer) Bonders. Since 2011, manufacturing operations have been located at Sternenfels in Germany. Both Bonder sales and the North American service and applications center were relocated to California. Markets addressed by the Substrate Bonders include MEMS, compound semiconductors, and 3D integration.

The Substrate Bonder division developed positively both in terms of order entry, at € 27.4 million (previous year: € 18.1 million), and sales, at € 23.1 million (previous year: € 20.5 million). The division earnings (EBIT) declined slightly from € -11.1 million to € -12.0 million. The gross margin fell from -2.6% to -10.1%.

#### SUBSTRATE BONDER DIVISION OVERVIEW in € million

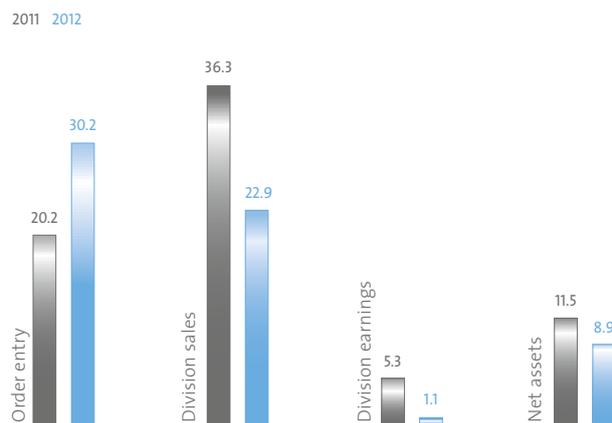


### Photomask Equipment

The Photomask Equipment division, which is located at the Sternenfels site near Stuttgart, comprises the development, manufacture, and sale of specialized tools for the cleaning and processing of photomasks for the semiconductor industry. 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 performed well again in the past fiscal year. At the end of December 2012, order entry totaled € 30.2 million (previous year: € 20.2 million). Division sales amounted to € 22.9 million after a strong € 36.3 million in 2011. Division earnings (EBIT) amounted to a profit of € 1.1 million in the past fiscal year (previous year: € 5.3 million). The gross margin was 27.6% after 34.2% in the previous year.

#### PHOTOMASK EQUIPMENT DIVISION OVERVIEW in € million



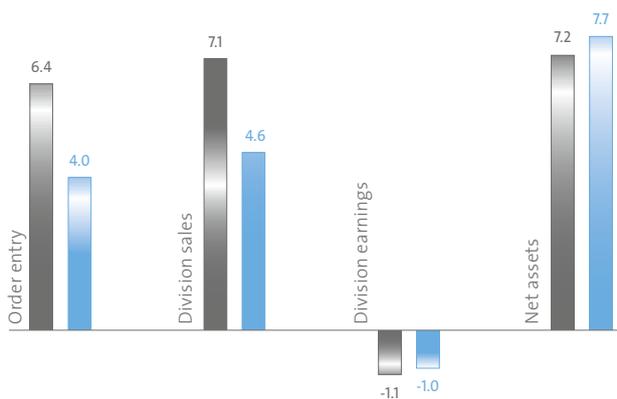
### Others

The Others division comprises Micro-optics activities at the Neuchâtel, Switzerland, location, the C4NP business, as well as the costs for central Group functions that generally cannot be attributed to the main divisions. At the end of 2011, the Mask business for the semiconductor industry in Palo Alto, USA, was sold. Ownership of the Micro-optics business was boosted from 85% to 100% in the first half of the year 2012. In this way, the company, which commands important enabling technologies, will be even more closely tied to SUSS MicroTec.

Order entry declined from € 6.4 million in 2011 to € 4.0 million in 2012. Division sales amounted to € 4.6 million after € 7.1 million in the corresponding period of the previous year (2011 includes the divested mask business). The Micro-optics business recorded a slight increase in order entry from € 3.8 million to € 3.9 million as well as a decline in sales from € 4.6 million to € 4.3 million. For the 2012 fiscal year, division earnings amounted to € -1.0 million, compared with € -1.1 million in the previous year.

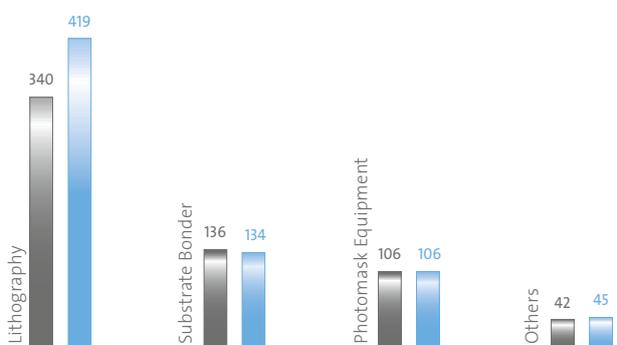
#### OTHERS DIVISION OVERVIEW in € million

2011 2012



#### EMPLOYEES BY DIVISION

2011 2012



#### NON-FINANCIAL PERFORMANCE INDICATORS

SUSS MicroTec has more than sixty years of experience in the manufacture of equipment and the development of process solutions for micropattern applications. SUSS MicroTec has set standards here for the semiconductor industry in terms of precision and quality. Continuous innovation and the capacity to always provide new solutions in a rapidly changing environment have made SUSS MicroTec a technology leader in the industry.

#### Quality Management

SUSS MicroTec's leading technology position in the Lithography, Photomask Equipment, Substrate Bonder, and Micro-optics divisions is rooted in a strong commitment to complying with the highest quality standards. Our quality goals are based on sustainable customer trust, respect for our customers, partnerships, and motivated employees. SUSS MicroTec provides high-quality products and services as well as innovative solutions.

All SUSS MicroTec divisions share our commitment to the highest quality. Our processes are based on an effective quality management system, which is ISO 9001-certified for the production sites in Germany and Switzerland and is constantly being improved.

#### Environmental Responsibility and Sustainability

SUSS MicroTec is committed to the Electronic Industry Citizenship Coalition (EICC) and has adopted and implemented relevant parts of the ISO 14001 standard. In addition, we constantly strive to improve our processes and procedures as well as their monitoring. Our overall activities are geared toward sustainable corporate development in the global environment.

In addition, SUSS MicroTec has been a partner company of the Blue Competence Initiative of the German Engineering Federation (VDMA) since August 2012. Blue Competence stands for the innovation and technology leadership of the engineering industry in the area of sustainable solutions. Based on verifiable criteria, the label identifies members, participants, and partners of the initiative as providers of solutions that improve the quality of life, protect the environment, save energy and resources, and are in line with market requirements.

As part of our social responsibility, SUSS MicroTec attaches tremendous importance to environmental protection, social health and safety, and the well-being of each individual. Business relationships do not only encompass economic and financial perspectives. To the same extent, they also take environmental and social considerations into account.

The improvements of the ecological properties and environmental impact of our products are an important part of our development work. We are proud that our tools – particularly Mask Aligner – are used to manufacture ultra-high brightness LEDs and therefore indirectly contribute to the reduction of CO<sub>2</sub> emissions and to an increase in energy efficiency worldwide. In addition, many components (e.g. power devices or high-performance ICs) manufactured in part using our tools are used in industrial applications for renewable energy, such as wind and solar power. But the improvements of the ecological properties and environmental impact of our products are themselves an important part of our development work. Therefore, we are attaching increasing importance to minimizing the use of chemicals and hazardous processing materials as much as possible during the manufacturing process and the operation of our tools. For coating and developing devices as well as photomask equipment, innovative process management and sophisticated tool design make it possible to reduce the consumption of materials used. This saves our customers cash and spares the environment.

Global megaprojects to protect the environment are an outstanding means to promote environmental protection. However, we are firmly convinced that each individual employee can do his or her part in day-to-day work to save resources or prevent excess waste. This begins with prudent behavior, for instance with regard to printing out emails or turning off the lights when leaving the office. A corporate-wide example worth mentioning here is the introduction of an SAP-based invoice processing system in Germany in 2012, which enables the paperless processing and archiving of all supplier invoices. In addition, by retrofitting the climate management system for cleanrooms at the Garching site, an antiquated technology was replaced with an energy-efficient and modern system. Last but not least, taking these steps made it possible to reduce the use of electricity at the Garching site continuously in recent years.

## Employees

SUSS MicroTec's business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in production, administration, sales, and service, who constitute an important network for the exchange of knowledge across locations as well as intercultural collaboration. We owe our strong role in the world market to our employees. With their expertise, abilities, and dedication, our employees are paving the way for the further success of SUSS MicroTec. In order to maintain our competitiveness, we must ensure that we will continue to be able to attract highly qualified and capable employees for our Company in the future. We support and promote each individual employee. Qualification and continuing education programs, appropriate remuneration systems, and the establishment of a pleasant work environment enable us to maintain the long-term loyalty of our employees worldwide.

We are very interested in the safety and well-being of our employees. A safe and healthy work environment enhances both productivity as well as the work atmosphere in the Company. As our declaration on the environment, health, and safety ([www.suss.com](http://www.suss.com) > Quality) states, there are special programs designed to meet the highest standards in terms of safety.

The collaboration of our employees worldwide and our interactions with customers and business partners are characterized by mutual respect, acting with integrity, and compliance with ethical guidelines and laws. In order to cope with the numerous legal and ethical challenges encountered in day-to-day work, create clarity, and thus strengthen trust in the performance and integrity of the SUSS MicroTec Group, we have adopted a Code of Conduct and compliance with it is mandatory for all employees.

### Customer Relations

Our many years of experience and worldwide presence make SUSS MicroTec a reliable partner for high-volume production as well as research and development. With our global sales and service structure, we provide comprehensive support to our customers at all times. Our service offerings begin with the installation and commissioning of equipment as well as providing training to users. In addition, we ensure the rapid delivery of replacement parts and offer preventive maintenance and system upgrades worldwide.

Our customers include well-known integrated device manufacturers (IDM) from around the world and numerous customers in the area of outsourced assembly and test houses (OSAT). In addition, we have worked very successfully with leading universities and research institutes both in Germany and abroad for many years. In terms of the development of new and innovative technologies, tools, and solutions, we also enter into partnerships and collaborations with other industrial companies.

## Earnings, Assets, and Financial Position

### EARNINGS POSITION

In the 2012 fiscal year, the earnings position of the SUSS MicroTec Group reflected lower sales, but still significantly positive annual earnings. Sales fell compared to the previous year by approximately 7% to € 163.8 million, whereas € 175.4 million had been generated in the previous year. Earnings before interest and taxes (EBIT) from continuing operations declined from € 18.6 million in 2011 to € 11.7 million in the past fiscal year.

EBIT for the 2012 fiscal year included several extraordinary effects. Thus earnings were impaired by currency effects of € -0.4 million, which resulted from the settlement of Company-internal foreign currency credits of SUSS MicroTec AG to Suss MicroTec, Inc. The repayment of these Company-internal credits was in connection with the acquisition of Tamarack Scientific in March 2012. The initial consolidation and the related purchase price allocation of Tamarack Scientific led to additional extraordinary effects: In the fourth quarter, an adjustment of the purchase price allocation occurred as well as a reevaluation of the earn-out provision in the net amount of € 1.8 million. Without these extraordinary effects, EBIT in 2012 would have totaled € 10.3 million. In the previous year, EBIT adjusted for extraordinary effects was approximately € 20.0 million.

The decline in sales from continuing operations by € 11.6 million to € 163.8 million resulted primarily from lower sales in the Photomask Equipment division, which generated extraordinarily high sales in the previous year. As a result of a much lower order backlog at the beginning of the year, sales in 2012 in the Photomask Equipment division amounted to € 22.9 million (after € 36.3 million in 2011). In addition, in the previous year the mask business (the activities of Suss MicroTec Precision Photomask, Inc.) had reported sales of € 1.7 million. The mask business was sold in October 2011. Therefore, it did not contribute to sales in 2012. However, the Lithography division was able to record another slight sales increase: Sales rose from € 111.5 million in the previous year to € 113.2 million. This included sales of € 1.9 million from Tamarack Scientific, which was acquired in March 2012. The Substrate Bonder division also reported a sales increase: Sales climbed from the previous year by approximately 13% to € 23.1 million. Sales in the Micro-optics division declined slightly from € 4.6 million in the previous year to € 4.3 million.

The cost of sales included write-downs on capitalized development costs of € 2.5 million. As such, write-downs on capitalized development costs were approximately € 2.4 million higher than new capitalizations, which totaled only € 0.1 million in the reporting year. In 2011, capitalized development costs similarly came to € 0.1 million, while write-downs (continuing operations) amounted to approximately € 2.5 million.

In the reporting year, continuing operations generated a gross profit of € 57.4 million, which corresponds to a gross profit margin of 35.0%. In the previous year, the gross profit totaled € 66.4 million; the gross profit margin in 2011 amounted to 37.9%. The absolute decline in gross profit resulted from lower sales in the Photomask Equipment and Micro-optics divisions. The gross profit in the Substrate Bonder division was negative once again. In part, write-downs on capitalized development costs remained high. In addition, the Company significantly boosted inventories of demonstration equipment in the past two years, with write-downs on this equipment reducing the gross margin. The gross profit in the Lithography division declined slightly in the past fiscal year, despite minor increases in sales. The primary reason for this is the current product mix: The Coater devices sold in 2012 achieved a somewhat lower gross profit margin than in previous years due to technical specifications.

Selling costs increased from € 19.0 million in the previous year to € 20.7 million, representing an expense ratio of 12.6% (2011: 10.8%) relative to sales generated. The increase in sales costs resulted primarily from the expansion of the sales force at Suss MicroTec Lithography GmbH and higher costs for acquiring new customers. In addition, sales costs included € 0.6 million related to Tamarack Scientific Co., Inc., which has belonged to the SUSS MicroTec Group since March 2012. Administration costs rose from € 15.7 million to € 17.0 million, corresponding to an expense ratio of 10.4% in 2012 (2011: 9.0%). The increase is explained primarily by administration costs at Tamarack Scientific Co., Inc., which also had to be taken into account at SUSS MicroTec in 2012 and which amounted to approximately € 1.1 million. Since Tamarack Scientific has its own manufacturing operations, an R&D department, and sales operations, significantly higher administration costs arise at this company than in the Group's other foreign companies, which only maintain a sales organization. Administration costs at the other Group companies performed differently: a significant increase in administration costs was recorded at SUSS MicroTec AG in 2012, primarily attributable to higher personnel expenses. In contrast, administration costs at Suss MicroTec, Inc. (Sunnyvale, USA) declined significantly since it has functioned exclusively as a sales company since mid-2011. Administration costs of € 0.6 million that arose in the previous year at Suss MicroTec Precision Photomask, Inc. (Sunnyvale, USA) also no longer applied. Its business operations were sold in October 2011.

Research and development costs fell from € 12.9 million to € 9.7 million. Of this amount, € 4.6 million related to the Lithography division and € 2.9 million related to Substrate Bonder. € 1.3 million was attributable to the Photomask Equipment division. The decline in research and development costs was primarily attributable to the fact that a large share of the costs was assigned directly to customer orders.

Other operating income amounted to € 6.1 million in the reporting year (after € 4.8 million in the previous year) and consisted primarily of income from foreign currency translation. Also included in other operating income in the past fiscal year was income of € 2.1 million from reducing the earn-out liability at Tamarack Scientific. The reversal of the corresponding liability resulted from a reevaluation of the expected results of operations at Tamarack Scientific, based on which the earn-out for the sellers and Tamarack Scientific employees had been determined.

Other operating expenses amounted to € 4.4 million in the reporting year (after € 4.9 million in the previous year) and consisted primarily of expenses from foreign currency translation. In the reporting year, this item also included expenses related to the passivation of an earn-out liability for Tamarack Scientific employees amounting to € 0.3 million.

The Lithography division contributed earnings of € 23.7 million (2011: € 25.5 million) to consolidated earnings before interest and taxes (EBIT) from continuing operations. This resulted in a sales margin of 20.9% for the Lithography division, slightly lower than in the previous year (2011: 22.9%). The decline in earnings and the sales margin in the Lithography division was primarily attributable to the initial recognition of the Tamarack Scientific business in this division. Tamarack Scientific contributed negative EBIT from the operational business of € -2.9 million to Group earnings. In addition, amortization of € 0.6 million accrued to hidden reserves identified in the course of the purchase price allocation. The addition of the earn-out liability to employees and the reversal of earn-out liabilities from the reevaluation as of 12/31/2012 netted out to income of € 1.8 million, which is also part of Lithography earnings. All in all, the earnings of the Lithography division were impaired by Tamarack Scientific by € -1.7 million.

The Substrate Bonder division generated EBIT of € -12.0 million after € -11.1 million in the previous year. Earnings were again burdened by high development costs in the area of thin wafer handling as well as write-downs on capitalized development costs. In addition, the Company boosted inventories of demonstration equipment in the past 18 months, resulting in much higher write-downs. Furthermore, the gross margin of Substrate Bonder sales remained in the low single-digits.

The Photomask Equipment division contributed € 1.1 million (2011: € 5.3 million) to Group EBIT. The sales margin was 4.8%, much lower than in the previous year (sales margin 2011: 14.6%). The primary reason for the diminished sales margin was the low sales volume achieved in 2012.

The financial result in 2012 amounted to € 11 thousand (after € 1.0 million in the previous year). The financial result in the previous year included the gain on the sale of 747,530 Cascade shares, which amounted to € 0.8 million.

Group earnings were burdened by income taxes of € 4.1 million, which corresponded to an average tax rate of approximately 35%. In the previous year, the tax burden of € 5.8 million for Group earnings was higher in absolute terms, but it reflected an average tax rate of approximately 30%. Tax expense in the past fiscal year included value adjustments on deferred tax assets for loss carryforwards of € 0.7 million, which relate to Suss MicroTec, Inc. (Sunnyvale, USA).

The Group's continuing operations generated a net profit after taxes of € 7.6 million. This compares to a profit of € 13.8 million in the previous year.

In the reporting year, the Group's discontinued operations generated earnings after taxes of € 1.5 million (previous year: € -21 thousand), which are exclusively attributable to the discontinued Test Systems division. This amount resulted from a retroactive payment of the purchase price for the sale of the Test business, which was released to SUSS MicroTec AG in February 2012.

Overall, the Group generated earnings after taxes of € 9.1 million (previous year: € 13.8 million) in the reporting year. Basic earnings per share from continuing and discontinued operations amounted to € 0.48 after € 0.72 in the previous year.

Sales per employee declined compared to the previous year by 17.0% from € 281 thousand to € 233 thousand (based on the respective number of employees as of the reporting date).

## ASSETS AND FINANCIAL POSITION

The Group's net cash position – the balance of cash and cash equivalents, interest-bearing securities, and financial liabilities – declined from € 42.0 million in the previous year to € 32.3 million as of 12 / 31 / 2012. The amount of cash and interest-bearing securities decreased from € 56.4 million in the previous year to € 36.6 million at the end of the reporting year.

Cash flow from operating activities totaled € -0.6 million (2011: € 6.1 million). Noticeable here was primarily the further increase in consolidated inventories, which resulted in a cash outflow of € 4.7 million. Along with growth of materials and supplies of € 1.2 million, the inventories of unfinished tools and demonstration equipment grew by € 3.2 million and € 5.1 million, respectively. By contrast, the inventory of tools which had already been delivered to customers but for which final acceptance was still outstanding declined to € 12.6 million (after € 17.4 million in the previous year). The increase in trade receivables and the decrease in trade payables also resulted in cash outflows totaling € 4.5 million. The decline in customer down payments, which led to lower annual cash inflows of € 6.1 million, also contributed to the reduction in cash flow. Cash flow from operating activities included ancillary costs of € 0.3 million related to the acquisition of Tamarack Scientific.

Cash flow from investing activities totaled € -4.2 million, excluding investments in securities and the retroactive payment of the purchase price for the Test business and adjusted for the acquisition of Tamarack Scientific Co., Inc. Investments primarily involved tangible assets. In the previous year, cash flow from investing activities amounted to € 2.6 million, excluding investments in securities.

As a result, free cash flow – prior to consideration of securities purchases and sales and adjusted for the payment streams from the purchase of Tamarack Scientific and the sale of the Test business – amounted to € -4.5 million, after free cash flow of € 3.5 million was generated in the previous year (adjusted for the effects of securities purchases and sales).

Cash flow from financing activities reflected – exactly as in the previous year – the scheduled repayment of the real estate loan in Sternenfels and the planned repayment of the finance lease for the Group-wide SAP system. In addition, in December 2012 the promissory note bond issued for € 9 million was due for repayment and was completely paid off from available cash. Furthermore, cash flow from financing activities included the outflow of € 1.2 million for the acquisition of 15% of the shares of Suss MicroOptics S.A. (Neuchâtel / Switzerland), which were held by minority shareholders until the time of acquisition.

Aside from cash and interest-bearing securities of € 36.6 million (previous year: € 56.4 million), the Group had domestic guarantee and credit lines of € 11.2 million (previous year: € 13.7 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 € 1.9 million.

With the agreements from March 15 and 26, 2012 and April 2, 2012, SUSS MicroTec AG and Suss MicroTec Lithography GmbH signed credit agreements with a bank consortium led by BayernLB, which made available a credit line totaling € 7.5 million. Deutsche Bank and DZ Bank AG also belong to the bank consortium. The credit line, whose term runs until March 31, 2013, was issued without covenants. Its primary purpose is to serve as backing for down payment guarantees.

A general credit agreement exists between Suss MicroTec Photomask Equipment GmbH & Co. KG and 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 Suss MicroTec Photomask Equipment GmbH & Co. KG in order to secure the credit line.

In connection with a bond insurance agreement, a bond line of € 2.5 million exists with an insurance company. The term of the bond insurance agreement is indefinite. A term deposit account of € 0.3 million was pledged to the insurance company as collateral for this line.

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

In addition to goodwill, capitalized development costs, the technologies obtained through corporate acquisitions (Suss MicroTec Photomask Equipment and Tamarack Scientific), and the business property in Sternenfels account for the bulk of noncurrent assets.

Goodwill amounts to € 15.4 million (2011: € 13.6 million). It increased by € 1.8 million through the initial consolidation of Tamarack Scientific. The Tamarack Scientific goodwill is denominated in US dollars; the original amount was US\$ 2.4 million. This part of goodwill will be subject to currency fluctuations in the future. The entire amount of goodwill is attributable solely to the Lithography division.

Capitalized development costs declined in the reporting year. As of the reporting date, they totaled € 3.0 million, after € 5.4 million in the previous year. The amortization of capitalized development costs exceeded capital expenditure by € 2.4 million in the past fiscal year, which led to a corresponding charge in the statement of income. Capitalized development costs as of the reporting date were composed of € 1.3 million (previous year: € 2.0 million) for the Lithography division and € 1.7 million (previous year: € 3.4 million) for the Substrate Bonder division.

In addition, noncurrent assets encompass licenses and patents as well as capitalized leased items (SAP licenses) of € 2.7 million (previous year: € 2.8 million). The residual book value of € 2.7 million is composed of € 1.9 million (previous year: € 1.5 million) for the Lithography, Substrate Bonder, and Photomask Equipment divisions and € 0.8 million (previous year: € 1.3 million) for the Others division. Intangible assets in the Lithography division also include an amount of € 0.8 million, which the Group added through the initial consolidation of Tamarack Scientific and primarily relates to software. Furthermore, the technology obtained as part of the Tamarack Scientific acquisition, which carried a residual book value of € 1.7 million as of the reporting date, is recognized under intangible assets. The technology obtained as part of the HamaTech acquisition was almost completely written down at the end of the past fiscal year. As of the previous year's reporting date, it was carried at a residual book value of € 0.3 million.

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 € 4.8 million in the reporting year, as compared with € 2.8 million in the previous year. The largest investment to be mentioned was the installation of a cleanroom on the leased business premises of Suss MicroOptics S.A. (Neuchâtel / Switzerland), which led to outlays of approximately € 1.7 million. Capital expenditure also included the addition of Tamarack Scientific Co., Inc.'s tangible assets, which totaled € 1.3 million at the time of initial consolidation. In sum, tangible assets increased by € 2.5 million compared to the previous year.

Deferred tax assets decreased by a total of € 4.2 million, primarily as a result of the full utilization of loss carryforwards at SUSS MicroTec AG and write-downs on deferred tax assets at Suss MicroTec, Inc. as well as first time balancings, and amounted to € 1.2 million as of the reporting date. Deferred tax liabilities have decreased from € 2.8 million to € 66 thousand, mainly due to the effects of first time balancings.

Current assets declined by € 7.0 million to € 143.1 million. This decline resulted primarily from lower amounts of securities and cash.

Inventories increased from € 71.6 million as of the previous year's reporting date to € 82.2 million. The increase was partially attributable to higher inventories of demonstration equipment, which grew during the fiscal year from € 12.5 million to € 19.0 million. The inventories of materials and supplies increased during the fiscal year by € 3.1 million to € 27.5 million. Of this amount, € 2.0 million was attributable to the addition of materials and supplies of Tamarack Scientific Co., Inc. Inventories of unfinished goods rose in the fiscal year from € 23.1 million to € 34.0 million. Of the increase, € 7.5 million was due to the initial consolidation of Tamarack Scientific. However, inventories of tools which had already been delivered to customers but for which final acceptance was still outstanding declined from the previous year: they totaled € 12.6 million (after € 17.4 million in the previous year).

Trade receivables increased from € 17.8 million in the previous year to € 21.8 million. The increase was primarily due to the reporting date and was attributable to numerous acceptances of tools at the end of the year.

The SUSS MicroTec Group's portfolio of securities decreased in 2012 from € 19.4 million to € 11.4 million. The securities recognized consist of corporate and government bonds. The amount of cash and cash equivalents similarly declined from € 37.0 million to € 25.2 million.

The decline in other assets from € 2.8 million in the previous year to € 1.8 million as of the end of the year is primarily attributable to prepaid expenses resulting from the reporting date.

Noncurrent liabilities decreased from € 10.5 million to € 9.8 million. Financial liabilities, which totaled € 4.0 million in the fiscal year (previous year: € 4.3 million), accounted for the majority of noncurrent liabilities. Also recognized under other financial liabilities in the fiscal year were earn-out liabilities of € 2.0 million for the acquisition of Tamarack Scientific and the still outstanding purchase price liability of € 0.3 million for the acquisition of minority shares of Suss MicroOptics. The deferred tax liabilities have decreased from € 2.8 million to € 0.1 million due to the effects of first time netting with deferred tax assets.

Current liabilities, however, recorded a significant decline from € 56.9 million in the previous year to € 42.2 million as of the reporting date. The repayment of a promissory note bond worth € 9.0 million, which occurred on schedule in December 2012, accounted for most of this decline. In addition, the Group paid tax liabilities for 2010 and 2011 in the past fiscal year. As a result, tax liabilities fell by approximately € 4.6 million to € 1.1 million. Trade payables decreased from € 7.6 million to € 6.9 million due to the reporting date. Other liabilities declined by € 0.5 million to € 23.6 million. This reflected the much lower level of customer down payments: Through the initial consolidation of Tamarack Scientific, the Group acquired customer down payments of € 5.4 million, which grew by € 0.8 million by the end of the year. Nevertheless, the Group's total customer down payments amounted to only € 17.6 million (2011: € 18.6 million). However, provisions for personnel expenses and deferred charges rose by a total of € 0.5 million.

Shareholders' equity of the SUSS MicroTec Group climbed since December 31, 2011 by € 7.7 million to € 128.1 million. The equity ratio rose compared with the previous year from 64.1% to 71.1%.

Through the exercise of a total of 14,510 stock options by the Management Board and employees, the capital stock increased by € 1.00 per stock option and amounted to € 19.1 million as of the reporting date. For each exercised stock option, € 0.30 was placed in additional paid-in capital.

## SUMMARY STATEMENT ON THE BUSINESS POSITION

The sales and earnings position of SUSS MicroTec developed positively once again in the reporting year. The SUSS MicroTec Group was able to achieve EBIT of € 11.7 million (continuing operations) and an EBIT margin of 7.1%.

As a result of its net cash position of € 32.3 million (previous year: € 42.0 million), which continues to be at a high level, the Group has sufficient financial leeway to promote new product developments and finance other strategic activities. With the purchase contract dated January 23, 2013, SUSS MicroTec AG has also acquired the real estate at the corporate headquarters in Garching, which is expected to lead to a cash outflow of approximately € 8.7 million in October 2013. The intention is to pay for the purchase with available cash and cash equivalents.

## 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 exception is the Micro-optics product line included in the Others division. This product line involves small-scale production, which requires corresponding production tools. In order to expand this area further, Suss MicroOptic S.A. (Neuchâtel / Switzerland) moved into newly leased business premises in the second half of 2012 and has installed a cleanroom for approximately € 1.7 million on these premises.

A portion of capital expenditure is to be allocated to intangible assets given the capitalization requirement for development costs under certain preconditions according to IFRS.

In the past fiscal year, the Group added intangible assets and tangible assets totaling approximately € 4.2 million through the Tamarack Scientific acquisition. Tamarack Scientific Co., Inc. is located in Corona (California, USA) in leased premises and manages its value chain similarly to the other production companies that already belong to the SUSS MicroTec Group. Thus no special equipment or tools are needed for the production of Tamarack Scientific tools, either.

## 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 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 provided loans only 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.

## PRESENTATION OF THE KEY FINANCIAL FIGURES OF THE HOLDING COMPANY

Entity	SMT AG (HGB)			
	2012	2011	Change	in %
in € thousand				
Annual net profit / loss	7,595	9,762	-2,167	-22
Shareholder's equity	109,760	102,146	7,614	7
Total assets	127,264	134,577	-7,313	-5
Equity ratio in %	86	76		
Noncurrent assets	76,816	71,982	4,834	7
% of total assets	60	53		
Current assets	50,448	62,595	-12,147	-19
% of total assets	40	47		

### SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

Intangible assets decreased in the past fiscal year by € 0.6 million and amounted to € 1.5 million as of the reporting date. The decline was attributable exclusively to amortization.

Shares in affiliated companies amounted to € 57.2 million as of the reporting date and are thus € 1.5 million higher than in the previous year. The increase resulted from the acquisition of 15% of the shares of Suss MicroOptics S.A. Neuchâtel (Switzerland). In the process, SUSS MicroTec AG boosted its stake from 85% to 100%.

The increase in loans to affiliated companies resulted primarily from the payment of loan of € 4.2 million to Tamarack Scientific Co., Inc.

Current receivables from affiliated companies rose by € 8.6 million. The increase resulted primarily from cash pooling with Suss MicroTec Lithography GmbH.

During the reporting year, the liquidity position of SUSS MicroTec AG declined significantly. The reduction was primarily the result of the negative free cash flow of the subsidiaries associated with the corporation through the Group cash pooling, the settlement of a promissory note bond worth € 9.0 million, and the repayment of a loan of € 5.5 million granted to Suss MicroTec, Inc. The diminished liquidity position can be seen both in the decline of deposits with banks of € 12.4 million and in the portfolio of securities of € 7.9 million. The securities concerned are primarily corporate and government bonds with an investment grade rating.

Liabilities to affiliated companies declined by € 5.2 million in the reporting year. The decline related to Suss MicroTec, Inc.

Bank borrowings decreased over the course of 2012 by € 9.2 million. The decline resulted from the scheduled repayment of a loan to finance the business property in Sternenfels and the settlement of a promissory note bond of € 9 million in December of the fiscal year.

The increase in shareholders' equity (€ +7.6 million) resulted primarily from the net profit for the year (€ 7.6 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 € 7.6 million was generated in the 2012 fiscal year (previous year: € 9.8 million).

As a result of the profit and loss transfer agreement with Suss MicroTec Lithography GmbH, Garching (Germany), which remained in effect since January 1, 2011, income from a profit transfer of € 6.6 million (previous year: € 10.2 million) was recognized at the holding company. As a result of the profit and loss transfer agreement with Suss MicroTec REMAN GmbH, Oberschleissheim (Germany), which was concluded in the 2008 fiscal year, income from a profit transfer of € 0.5 million (previous year: € 1.1 million) was recognized at the holding company.

Other operating income primarily includes foreign currency gains of € 1.9 million (previous year: € 1.9 million), rental income of € 1.1 million (previous year: € 1.0 million), and a subsequent amount from the sale of Suss MicroTec Test Systems GmbH of € 1.5 million.

In addition to ongoing administrative expenses, other operating expenses included foreign currency losses of € 1.5 million (after € 3.4 million in the previous year).

Interest expense declined in the fiscal year by € 0.3 million, which was primarily attributable to a reversal of the provision for contingent losses for the interest swap tied to the promissory note bond.

SUSS MicroTec AG had an average of 20 employees in the 2012 fiscal year (previous year: 20).

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.

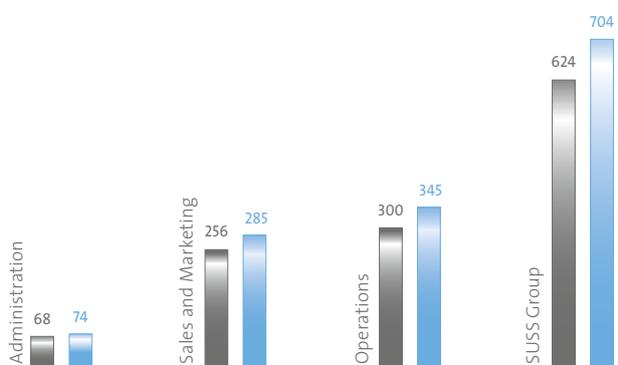
## Group Employees

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 2012 fiscal year, the Group had 704 employees (previous year: 624).

### EMPLOYEE AREAS

2011 2012



## Legal Information

### INFORMATION IN ACCORDANCE WITH SECTION 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

#### 1. COMPOSITION OF SUBSCRIBED CAPITAL

As of December 31, 2012, the subscribed capital of the Company totaled € 19,115,538.00 (in the previous year: € 19,101,028.00). The equity capital is divided into 19,115,538 (in the previous year: 19,101,028) registered, no-par-value individual shares representing a pro rata amount of € 1.00 per share. The shares are fully paid in.

The same rights and obligations apply to all shares. Each share confers one vote at the Shareholders' Meeting and determines the shareholder's portion of the Company's profits. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Law (AktG), in particular by Sections 12, 53a et seq. 118 et seq. and 186.

In accordance with Section 67 (2) AktG, a shareholder in relation to the Company is only someone who is entered as such in the shares registry. Shareholders must provide the Company with the information necessary to be included in the share registry.

#### 2. RESTRICTIONS WITH REGARD TO VOTING RIGHTS OR THE TRANSFER OF SHARES

There are no restrictions with regard to voting rights or the transfer of shares, as stipulated by the articles of incorporation. We are also not aware of the existence of such agreements between shareholders.

#### 3. INVESTMENTS IN CAPITAL THAT EXCEED 10% OF THE VOTING RIGHTS

Direct or indirect investments in capital that reach or exceed 10% of the voting rights have not been reported to us and are also not known to us.

#### 4. SHARES WITH EXTRAORDINARY RIGHTS THAT GRANT CONTROLLING AUTHORITY

Shares with extraordinary rights that grant controlling authority do not exist.

#### **5. THE NATURE OF VOTING RIGHTS CONTROL WHEN EMPLOYEES HAVE A STAKE IN THE COMPANY'S CAPITAL AND DO NOT EXERCISE THEIR CONTROL RIGHTS DIRECTLY**

When SUSS MicroTec issues shares to its employees through the employee stock program, the shares are directly transferred to the employees. The beneficiary employees who hold shares of employee stock may exercise their control rights in the same way as any other shareholder directly in accordance with applicable laws and the articles of incorporation.

#### **6. LEGAL PROVISIONS AND RULES IN THE ARTICLES OF INCORPORATION FOR APPOINTING MEMBERS TO THE MANAGEMENT BOARD AND ASKING THEM TO STEP DOWN AS WELL AS MAKING CHANGES TO THE ARTICLES OF INCORPORATION**

The appointment and dismissal of members of the Management Board are stipulated in Sections 84 and 85 AktG. Accordingly, Management Board members may be appointed by the Supervisory Board for a maximum period of five years. A reappointment or extension of their terms is permitted for a maximum of five years. The Supervisory Board decides on the appointment and dismissal of Management Board members with a simple majority vote.

The Management Board consists of two persons, whereby the number of Management Board members is determined by the Supervisory Board, in accordance with Section 7 (1) of the articles of incorporation. The Supervisory Board may appoint a member of the Management Board as the Chairman or Spokesman of the Management Board as well as a Deputy Chairman or Spokesman of the Management Board, in accordance with Section 84 AktG and Section 7 (2) of the articles of incorporation.

If a required member of the Management Board is absent, in urgent cases the member can be legally summoned upon petition by a concerned party, in accordance with Section 85 AktG. The Supervisory Board may revoke the appointment of a Management Board member and the nomination of the Chairman of the Management Board for good cause, in accordance with Section 84 (3) AktG.

Changes to the articles of incorporation require a resolution by the Shareholders' Meeting, in accordance with Section 179 AktG. The authority to make changes which pertain to the wording only is delegated to the Supervisory Board, in accordance with Section 17 (3) of the German Stock Corporation Law (AktG).

Resolutions of the Shareholders' Meeting that change the articles of incorporation require a simple majority of the votes cast and a simple majority of the equity capital represented during the resolution, in accordance of Sections 133 and 179 AktG in conjunction with Section 26 (1) of the articles of incorporation, as long as the law does not prescribe a larger majority.

#### **7. AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES**

The Management Board is 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.

Furthermore, the Management Board is authorized to increase the Company's equity capital in the period through June 21, 2016 one or more times by up to a total of € 6,500,000 through the issuance of up to 6,500,000 new individual share certificates for cash contributions with the approval of the Supervisory Board. The Management Board is also authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board and under certain conditions.

## 8. SIGNIFICANT AGREEMENTS ON THE PART OF THE COMPANY SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL RESULTING FROM A CORPORATE TAKEOVER BID

With each of the three banks of the existing consortium, there is a bilateral credit relationship with a common pool of collateral. These relationships have different structures and conditions. 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.

## 9. COMPENSATION AGREEMENTS OF THE COMPANY WITH MANAGEMENT BOARD MEMBERS OR EMPLOYEES IN THE EVENT OF 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.

## Corporate Governance Declaration in Accordance with Section 289a of the German Commercial Code (HGB)

On March 8, 2013, the Management Board and Supervisory Board of SUSS MicroTec AG issued a joint declaration regarding corporate governance in accordance with Section 289a of the German Commercial Code (HGB) and made it available on the Company's website at [www.suss.com](http://www.suss.com) > Investor Relations > Corporate Governance > Declaration of Compliance.

## Remuneration Report

### REMUNERATION OF THE MANAGEMENT BOARD

SUSS MicroTec has already been disclosing the remuneration of the Management Board members on an individualized basis for many years. The objective of SUSS MicroTec's remuneration system for the Management Board is to incentivize long-term and sustainable corporate governance. Special performance should be rewarded with special compensation, but the failure to achieve objectives must lead to a tangible reduction in remuneration. In addition, remuneration must be oriented toward the size and economic position of the Company.

The Supervisory Board is responsible for setting the remuneration of Management Board members. The full council of the Supervisory Board determines and monitors the compensation system for the Management Board on a regular basis and finalizes the Management Board contracts.

The Supervisory Board has taken up the matter of aligning Management Board remuneration with sustainable corporate governance in detail. An external remuneration specialist was also consulted.

### REMUNERATION STRUCTURE

The overall compensation of members of the Management Board consists of remuneration components both independent of performance as well as based on performance.

### FIXED REMUNERATION

The amount of fixed pay is determined first and foremost by the roles and responsibilities assigned. The remuneration components independent of performance consist of the base salary and fringe benefits in the form of a company car and subsidies for health insurance and unsolicited retirement insurance. In addition, employer pension commitments (retirement, disability, and widow's pension) in the form of direct insurance have been made to the members of the Management Board (endowment insurance).

## PERFORMANCE-BASED REMUNERATION

Performance-based remuneration consists of variable remuneration and share-based remuneration.

### VARIABLE REMUNERATION

For the 2011 fiscal year, variable remuneration was restricted to a maximum of 100% of fixed remuneration at the beginning of this fiscal year. Effective January 1, 2012, variable remuneration may amount to a maximum of 150% of fixed remuneration at the beginning of the respective fiscal year. Of variable remuneration, 70% is determined according to quantitative criteria, while the remaining 30% is determined according to qualitative criteria.

### VARIABLE REMUNERATION BASED ON QUANTITATIVE TARGETS (VARIABLE REMUNERATION A)

The Supervisory Board sets quantitative targets (order entry, sales, EBITDA, and free cash flow) one fiscal year at a time. If only 70% or fewer of these targets is achieved, this remuneration component is not received. The maximum amount is received when 130% of the target is achieved. If the achievement of a given target is between 70% and 130%, the variable remuneration is calculated proportionally to the amount achieved.

The remuneration based on quantitative criteria is determined annually. In the interest of promoting long-term corporate development, the Management Board members are permanently entitled to only half of variable remuneration A. As for the other half of the amount payable ("the qualified half"), the Management Board member is obligated to acquire Company shares during the first trading window after payment of the amount payable and to hold them in a registered account in their name for a lock-up period of three years, commencing on the last day of the trading window in which the shares were acquired. For the 2011 subscription year, the acquisition of Company shares occurred during the trading window after publication of the 2011 annual financial statements in April 2012.

### VARIABLE REMUNERATION BASED ON QUALITATIVE TARGETS (VARIABLE REMUNERATION B)

Of the variable remuneration, 30% applies to multi-year, long-term qualitative targets, which are as a rule set for a period of three fiscal years. In the process, intermediate goals or milestones are established for achievement in individual fiscal years. Milestones were set for the first time for the 2010 to 2012 fiscal years. Upon conclusion of a fiscal year, the Supervisory Board, in consultation with the Management Board, adopts a resolution setting a preliminary target achievement threshold for between 70% and 130% of the stipulated milestones. The share of variable compensation in a given fiscal year depends on the threshold set for specific milestones. Half of this share is paid as an advance and the other half is carried over to a settlement account for variable remuneration as a temporary balance. After expiration of the full period of the multi-year targets, the Supervisory Board will determine conclusively for these overall targets the extent to which specific targets have been achieved within a range of 70% to 130%. Only these conclusively determined target achievement levels apply to the final calculation of the variable remuneration portions for the fiscal years falling within the full period, relative to the average of the maximum amounts for the relevant fiscal years. The previously determined target achievement thresholds for the milestones are used only to calculate the corresponding advance payment.

### SEVERANCE PAYMENTS

In Management Board contracts, a compensation payment has been earmarked for cases where the term of a member of the Management Board ends prematurely and without significant cause. This is limited to no more than two years of compensation including fringe benefits (severance payment cap) and compensates for no more than the remaining term of the employment contract. The Management Board contracts do not include approval for benefits arising from the premature termination of the Management Board function as a result of a change of control.

Remuneration of the members of the Management Board for the 2012 fiscal year:

#### REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

2012 in €	Base salary in	Variable re- muneration	Other payments**	Expenses for retirement benefits
<b>Management Board</b>				
Frank Averdung	316,794.24	398,046.17	6,585.60	2,148.00
Michael Knopp	237,559.80	300,193.44	6,585.60	2,148.00

Remuneration of the members of the Management Board for the 2011 fiscal year:

2011 in €	Base salary	Variable re- muneration	Other payments**	Expenses for retirement benefits
<b>Management Board</b>				
Frank Averdung	265,601.52	110,789.29	6,567.00	2,148.00
Michael Knopp	227,470.24	101,070.57	6,567.00	2,148.00

\* Included in the base salary are allowances for health insurance and a company car with personal use option.

\*\* Allowance for voluntary retirement fund  
For more information, we refer to the disclosures provided in the Notes.

#### PENSION PLANS

There is a pension provision of €35 thousand (2011: €7 thousand) for a former member of the Company's Management Board.

#### STOCK OPTION PLANS

In the past, SUSS MicroTec AG has repeatedly established stock option plans to enable employees to participate in the success of the Company and to ensure that the executives are committed to the Company over the long term. For this purpose, options can be issued to members of the Management Board, members of management of associated companies within the meaning of Section 15 et seq of the German Stock Corporation Law (AktG), and to executives of SUSS MicroTec AG and companies associated with it within the meaning of Section 15 et seq. AktG. Both of the stock option plans that were in place at the beginning of the fiscal year have expired over the course of

the 2012 fiscal year. Currently, SUSS MicroTec does not have any stock option plan.

#### Stock Option Plan of 2005

At the beginning of the 2012 fiscal year, a total of 186,800 options were outstanding under the 2005 stock option plan approved by the Shareholders' Meeting on June 21, 2005, whereby the issuance of options under this plan was possible only until December 31, 2009. A total of 186,800 options from the Stock Option Plan of 2005 expired in the 2012 fiscal year. No options from this plan were exercised in the 2012 fiscal year. The number of options still outstanding at the end of the fiscal year amounted to 0. The issued options could be exercised upon expiration of a two-year waiting period, provided one of the performance goals described below was met: (i) the stock exchange price of the SUSS MicroTec share has increased by an average of 7.5% per annum during the period between issuing and exercising the options and the stock exchange price of the Company has developed the same as or better than the TecDAX during this period or (ii) the stock exchange price of the SUSS MicroTec share has increased by an average of 10% per annum during the period between issuing and exercising the options.

#### Stock Option Plan of 2008

At the beginning of the 2012 fiscal year, there were a total of 14,510 options outstanding under the Stock Option Plan of 2008 passed by the Shareholders' Meeting on June 19, 2008, whereby the issuance of options under this plan was possible only until December 31, 2012. In the 2012 reporting year, a total of 0 options were issued to members of the Management Board. A total of 0 options from the 2008 stock option plan expired during the 2012 fiscal year and 14,510 options were exercised. At the end of the 2012 fiscal year, a total of 0 options from the Stock Option Plan of 2008 were still outstanding. The issued options could be exercised upon expiration of a two-year waiting period, provided that the following performance goals were met: (i) the stock exchange price of the SUSS MicroTec share has increased by at least 0.625% per full calendar month during the period between the issue date and the first day on which the stock option is exercised and the stock exchange price of the SUSS MicroTec share has developed the same as or better than the TecDAX during this period in percentage or (ii) the stock exchange price of the SUSS MicroTec share has increased by at least 0.833% per full calendar month during the

period between the issue date and the first day on which the stock option is exercised. In addition to the performance goals (i) and (ii), for exercise periods within the first 36 months of the term of the stock options, the stock exchange price of the SUSS MicroTec share had to reach € 5.00 at least once during the term until the first day of the exercise period, for exercise periods between the 37th month and the 48th month it must reach € 5.75 at least once during the term, and for exercise periods between the 49th month and the 60th month it must reach € 6.60 at least once during the term.

## REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Section 19 of the articles of incorporation of SUSS MicroTec AG. In addition to the reimbursement of their expenses and meeting attendance compensation of € 1,500.00 per meeting, each member of the Supervisory Board also receives a fixed remuneration based on the responsibilities and duties of the member. According to this, the Chairman of the Supervisory Board receives € 45,000.00, the Deputy Chairman receives € 40,000.00, and a regular member of the Supervisory Board receives € 35,000.00 per fiscal year as fixed compensation. The members of the Supervisory Board have reimbursed the Company for the notional per capita share of the D&O insurance premium paid by the Company.

## REMUNERATION OF THE SUPERVISORY BOARD

2012 in €	Remuneration	Meeting attendance payment	Deduction for pro rata D&O insurance premium
<b>Supervisory Board</b>			
Dr. Stefan Reineck (Chairman of the Supervisory Board)	45,000.00	10,500.00	1,914.82
Jan Teichert (Deputy Chairman of the Supervisory Board)	40,000.00	10,500.00	957.41
Gerhard Pegam	35,000.00	10,500.00	638.27

2011 in €	Remuneration	Meeting attendance payment	Deduction for pro rata D&O insurance premium
<b>Supervisory Board</b>			
Dr. Stefan Reineck (Chairman of the Supervisory Board)	45,000.00	10,500.00	2,174.45
Jan Teichert (Deputy Chairman of the Supervisory Board)	40,000.00	10,500.00	1,087.23
Gerhard Pegam	17,500.00	6,000.00	362.41
Sebastian Reppegather	17,500.00	4,500.00	362.41

In the 2012 fiscal year, neither former nor current members of the Supervisory Board received any remuneration or benefits for personal services, particularly consultation and placement services.

## Subsequent Events

With the purchase agreement dated January 23, 2013, SUSS MicroTec AG acquired the real estate used by SUSS MicroTec AG and Suss MicroTec Lithography GmbH at the corporate headquarters in Garching. The legal transfer of the real estate is expected to take place on September 30, 2013. The purchase price for the real estate and the approximately 20,000m<sup>2</sup> property amounts to € 8.7 million and will be financed with available cash and cash equivalents.

On January 31, 2013, the sale-and-leaseback agreement for the Group's SAP system, which is used in Germany, USA, and Taiwan, expired. SUSS MicroTec AG exercised the purchase option stipulated in the agreement and acquired the SAP system for a purchase price of € 0.2 million on February 1, 2013.

## VOTING RIGHTS ANNOUNCEMENTS AFTER THE REPORTING DATE

There were no voting rights announcements after the reporting date.

## Report on Expected Development with its main Opportunities and Risks

### OPPORTUNITIES AND 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, the risk management at SUSS MicroTec 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 early risk 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 are subject to the known risks of a critical appraisal and address new topics.

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

The Group's quality management is an important element of early detection. The large production sites are certified in accordance with ISO 9001, which confirms reliable, process- and system-oriented quality management. Clearly structured and unambiguously documented processes within the framework of quality management not only ensure transparency, but have also become a precondition for most production clients 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. Like the determination of the maximum amount of damage, it is based on the knowledge and experience of the risk officers. It is, therefore, always in line with the most current status. The indication of the risk value pertains to the next 12 or 24 months in each case.

The identified risks are assigned using a risk matrix to one of three different risk categories, taking into account both the possible damage amount and the likelihood of occurrence. Risks starting at a damage amount of € 10 million are viewed as "threatening the Company's continued existence."

#### 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 mentioned earlier.

The avoidance of risk and organization of countermeasures is carried out at the subsidiary level. 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 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 289 (5) and 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 responsibility of setting up and controlling the system of financial reporting lies with the management of SUSS MicroTec AG, which judges the adequacy and effectiveness of the control system at the end of every fiscal year. As of December 31, 2012, the management has ascertained the adequacy of the internal control measures with regard to financial reporting. Though, every control system contains certain restraints regarding its effectiveness.

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, to 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. All German companies have worked with SAP since 2008. Since 2010, SAP has also been used by Suss MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan. In 2011, SAP was finally installed at Suss MicroTec Inc., Sunnyvale, California (USA). Reporting to the corporate headquarters is carried out with the assistance of "Infor PM Application Studio" management information software. The separate financial statements are ultimately combined 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. Global economic growth continued to lose momentum over the course of 2012. After a real increase of 3.8% in 2011, worldwide gross domestic product increased by only 3.2% in 2012.<sup>(1)</sup> Economic development was primarily held back by the ongoing government debt crisis and crisis of confidence in the eurozone. Sustained uncertainty until November about the outcome of the presidential election in the USA also put a damper on economic activity in North America during 2012. However, the fragile economic picture was not limited to industrialized countries in 2012, but also encompassed emerging economies like China. Nevertheless, the economic disparity that has existed between industrialized countries on the one hand and emerging economies on the other hand continued: In the industrialized countries, gross domestic product rose by an average of only 1.2%, whereas in the emerging economies it rose by an average of 5.0%.<sup>(2)</sup>

In December 2012, the Gartner market research institute forecast a decline for the entire semiconductor sector of approximately 3% for the past year compared to the previous year. According to the SEMI market research institute, a decline in demand for semiconductor equipment of about 15% is expected for all of 2012. In 2012, SUSS MicroTec recorded approximately 7% lower sales. Once again, the regions of China, Taiwan, and the rest of Asia generated the largest share of sales. However, sales in these regions declined significantly from the previous year. Instead, sales with Japanese customers increased by approximately 27%. Sales in Europe and North America were somewhat higher than in the previous year. In the third quarter, order entry reached a level of approximately €37 million; in the fourth quarter, however, encouragingly high order entry of €40 million was achieved.

### 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. The strong market cycles of the semiconductor industry also provide opportunities for the Company which can lead to strong increases in order entry and sales in the short term.

### 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 for 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.

Thanks to our long-term market experience and our technological competence, we were able to secure our market position as leading company in micro-structuring. We anticipate to benefit from the fast technological changes in the future as well and, because of our product developments and superior process solutions, we expect to improve our market position further.

### Dependence on Individuals' Expertise

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

<sup>(1)</sup> Source: WEO Update January 2013 and IMF Database

<sup>(2)</sup> Source: ifo Institute Munich

## OPERATING RISKS

### Assets and Earnings Position

In view of the relatively high level 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. In 2012, actual sales generated remained significantly above the break-even point for sales.

In the past fiscal year, the Substrate Bonder division produced another loss. The result in the Substrate Bonder division continued to be impaired by high write-downs on capitalized development costs and much higher write-downs on demonstration equipment manufactured in 2011 and 2012. Furthermore, the gross margin of Substrate Bonder sales remained in the low single-digit percentage range and therefore well outside the range of 30% - 40% necessary for the successful development of the Substrate Bonder division over the medium to long term. The net assets of this division amounts to approximately € 35 million, representing approximately 1.5 times annual sales. We also expect a significantly negative result for the Substrate Bonder division in 2013. So far, the positive earnings position of the other divisions of the Group, particularly the Lithography division, has enabled the SUSS MicroTec Group to offset the losses accruing in the Substrate Bonder division. We expect positive earnings development in the Substrate Bonder division in the future so that the Group should be able to generate positive earnings on a consolidated basis even with a smaller earnings contribution from the other divisions.

Taking into account the available order backlog at the end of 2012 and the subdued outlook for the semiconductor equipment sector in 2013, we are assuming that we will generate sales slightly above the break-even level in 2013.

As of 12/31/2012, SUSS MicroTec recognized goodwill of approximately € 15.4 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. For 2013 we expect lower sales in this division. However, the Lithography division will once again generate more than half of total Group sales next year and remain profitable. We, therefore, see no signs of impairment in the Lithography 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 given recovering markets. 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 March 2012, SUSS MicroTec acquired Tamarack Scientific Co., Inc., Corona (California, USA). With the acquisition, SUSS MicroTec is pursuing a consolidation strategy at the semiconductor backend, expanding its technological expertise in the area of lithography with projection lithography.

In May 2012, SUSS MicroTec AG acquired the remaining 15% of the shares of Suss MicroOptics S.A., Neuchâtel (Switzerland), thus boosting its stake to 100%. With the acquisition, SUSS MicroTec has further streamlined its organizational structure and bound Suss MicroOptics, which has expertise in gateway technologies that are critical to SUSS MicroTec, to the SUSS MicroTec Group.

### Relocation of the Substrate Bonder Division to Germany – Future Development

In April 2011, the relocation of the Substrate Bonder division, which had been located in Waterbury, Vermont (USA), to Germany was completed. The functional areas of research and development, production, and product management of the Substrate Bonder division are now integrated into Suss MicroTec Lithography GmbH in Sternenfels (Germany). Although the move, the reestablishment of production, and the transfer of expertise went smoothly, SUSS MicroTec so far has not succeeded in producing positive earnings in the Substrate Bonder division. The Substrate Bonder division will also produce a loss in 2013. Positive earnings will presumably only be achievable through a combination of much higher order entry and higher quantities produced per tool type, enabling a significantly improved gross margin for Substrate Bonder sales. As long as there is no significant improvement in the orders position and the composition of orders received, this division will continue to produce a loss.

### Tamarack Scientific Co., Inc.

With the acquisition of Tamarack Scientific, SUSS MicroTec has expanded its product range in the area of lithography by adding projection lithography. The integration of Tamarack Scientific in the SUSS MicroTec Group is nearly completed and went smoothly. In 2012, Tamarack Scientific contributed € 1.9 million in sales to Group sales and generated a negative EBIT from the operational business of € -2.9 million. In 2013 Tamarack Scientific will also generate negative operating income as a result of its low-margin order backlog. However, we expect significant sales increases in the coming years and to win new customers by expanding the lithography product portfolio.

## 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 specific payment conditions and safeguards to which the Company's individual sales units can agree, while taking the customer and country-specific aspects into consideration. Orders from customers located in "risk countries" can, therefore, only be accepted against down payment for the entire amount of the order, a bank guarantee, or a letter of credit. In the case of customers who are located in the "non-risk countries" and exceed a certain size, a corresponding customer rating is established. These ratings are based on information provided by external credit rating agencies. Depending on the customer's rating, tiered payment conditions and/or safeguards may be necessary to process the order.

Of the gross amount of accounts receivable totaling € 22.4 million (previous year: € 18.3 million), € 15.5 million overall was neither overdue nor impaired as of the reporting date (previous year: € 13.4 million). As of December 31, 2012, 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 (in € thousand):

in € thousand	2012	2011
Age structure of overdue receivables without impairment		
1–30 days	1,439	832
31–60 days	458	925
61–90 days	3,636	1,231
91–180 days	105	1,215
Overdue receivables without impairment	5,638	4,203

As of the reporting date, a total of € 1.3 million (previous year: € 0.8 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 (in € thousand):

in € thousand	2012	2011
<b>Age structure of overdue receivables without impairment</b>		
91–180 Days	368	148
181–360 days	535	300
> 360 days	366	302
<b>Overdue receivables without impairment</b>	<b>1,269</b>	<b>750</b>

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 € 32.3 million (previous year: € 42.0 million). Free cash flow totaled € -4.5 million in the past fiscal year (previous year: € 3.5 million).

The promissory note bond issued in 2007 for € 9.0 million was due for repayment in December 2012 and was paid off from available cash.

Currently, a bank consortium consisting of three banks is issuing a credit and guarantee line of € 7.5 million with an initial term until March 31, 2013. An additional credit line of € 1.0 million is available to Suss MicroTec Photomask Equipment 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 lines of the bank consortium beyond March 31, 2013, 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 individual customer orders and increase the likelihood of order cancellations. As of December 31, 2012, only € 1.9 million of these credit and guarantee lines are being utilized in the form of guarantees.

In 2013 the Company plans to extend the credit agreements with the three banks of the bank consortium led by BayernLB in order to continue to have the necessary credit lines at its disposal as backing for down payment guarantees. The negotiations are already at an advanced stage. The new agreements are expected to be completed at the end of March 2013. As a result, the Company is confident that it will be able to continue to provide all of the necessary down payment guarantees.

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

#### Market Price Risks

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

SUSS MicroTec's international orientation exposes it to foreign currency risk 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. Incoming and outgoing payment flows, which result particularly from foreign currency orders of materials and supplies, are deducted from the foreign currency amount to be identified and hedged. Forward exchange transactions are used as hedging instruments. For further details, please refer to Note (30).

A favorable development of exchange rates can lead to higher margins of single orders and can generate additional exchange rate gains.

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 in the euro-equivalent value of € 217 thousand

as of the reporting date (previous year: increase of € 53 thousand) and a corresponding decrease (previous year: increase) 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	2012		
	USD	JPY	Total
Cash and cash equivalents	1,681	1,811	3,491
Trade receivables	2,635	544	3,179
Trade payables	-1,138	-138	-1,275
Customer down payments	-2,851	-156	-3,007
<b>Net Exposure</b>	<b>327</b>	<b>2,061</b>	<b>2,388</b>
Effect of a 10% appreciation of the euro on annual net income	-30	-187	-217

in € thousand	2011		
	USD	JPY	Total
Cash and cash equivalents	1,843	6	1,849
Trade receivables	1,671	0	1,671
Trade payables	-1,390	-108	-1,498
Customer down payments	-2,602	0	-2,602
<b>Net Exposure</b>	<b>-478</b>	<b>-102</b>	<b>-580</b>
Effect of a 10% appreciation of the euro on annual net income	43	9	53

The Company's interest rate risk is limited, as the variable-rate loans used to finance the property in Sternenfels have been hedged by a term-congruent interest rate swap. The conditions, which were originally variable, have thereby been converted into fixed conditions.

The Company holds fixed-rate corporate and government bonds that can be sold at any time via a bank or stock exchange. The price is affected, among other things, by the current level of the market interest rate. Should the Company sell securities before the end of the term (for example to cover an unplanned need for liquidity that cannot be covered by available resources), unanticipated price losses could result.

#### Overall Risk

No risks that threaten the Company's existence were identified in the Group in the 2012 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

#### Forecast Report

According to an analysis of the ifo Institute in Munich, total economic production in Germany got off to a good start in 2012 despite the ongoing European debt crisis. This development was driven by high foreign demand for "Made in Germany" products. However, over the course of the year, the German economy progressively lost momentum so that it is actually expected to have shrunk slightly in the fourth quarter. Accordingly, overall GDP growth of 0.7% was expected in 2012, combined with nearly unchanged unemployment figures and an inflation rate of approximately 2%. The stock market enjoyed a positive performance in 2012 despite tangible uncertainty on the part of traders. The most important German stock market indexes – DAX, MDAX and TecDAX – concluded the year with significant price gains.

The economic output of the eurozone is expected to have declined in 2012 by approximately 0.5%, according to the ifo Institute, whereby major regional differences are evident. Stable countries such as Germany, Finland, or Austria will still be able to record positive growth despite noticeable weakness, whereas the economies of the crisis countries will shrink significantly. In addition, since mid-2012 the global economy has increasingly slowed and lost a significant amount of dynamism. Overall, experts anticipate global economic growth of 2.4% in 2012, whereby the emerging countries should achieve growth of approximately 5.0%, much higher than 1.2% growth for the advanced countries.

For the current year, economic forecasts at the beginning of 2013 appear to be much weaker than was the case in mid-2012. From today's perspective, a sustained recovery in the global economy is not expected in 2013. The main reason for this is the unresolved debt crisis in Europe as well as a slower economic dynamic in the emerging countries and newly industrialized economies. Companies are investing very cautiously and private consumption does not indicate any significant revival so far. The ifo Institute is assuming a weak half of the year during the 2012 / 13 winter period and anticipates growth for the global economy to take hold only as 2013 unfolds. However, it projects slight positive growth for the entire year. Similar expectations also apply to the eurozone, whereby the ifo Institute assumes a slight decline of 0.2% in overall GDP in 2013. However, VDMA is forecasting stagnant growth for the eurozone.

For Germany, experts expect an economic recovery in the second half of 2013 based on the assumption of overall GDP growth of another 0.7%.

## SEMICONDUCTOR INDUSTRY

Compared to other sectors, the semiconductor industry has several special features. In the past, microchip manufacturers have increased the performance of their products every year while simultaneously reducing costs for consumers. The development is driven by Moore's Law, which states that approximately every 18 months the size of microchips is halved while the price increases by only 50%. However, since structure sizes cannot be shrunk indefinitely, the sector has been seeking alternatives for years in order to increase the complexity and performance of microchips even without reducing the pattern size while lowering the price per microchip. In this context, topics like the use of 450mm wafers or the stacking of thinned microchips are at the very top of the agenda. The technological themes of the past and the future are accompanied by major investment cycles. As a result, the semiconductor sector is a very volatile industry.

For this reason, scarcely any industry is as cyclical and subject to such extreme volatility as the semiconductor sector. The development of forecasts by research institutes in 2012 demonstrates how difficult it is to estimate this market's performance. In March 2012, the Gartner market research institute had raised its estimates for growth in the semiconductor sector for 2012 from approximately 2% to approximately 4%, which would have corresponded to a total market volume of US\$ 316 billion. The increase was primarily expected in the second half of 2012. At the end of December 2012, Gartner significantly revised its estimates and raised the prospect of a decline of approximately 3% in the semiconductor sector in 2012, corresponding to a market volume of US\$ 298 billion. In January 2013, the Semiconductor Industry Association forecast a decline of 2.7% in the semiconductor sector. Against this backdrop, the resulting discussions involve estimates made on the basis of information available at the current time, but these do not imply a guarantee that the forecasts will actually materialize.

For the 2013 fiscal year, Gartner expects a renewed increase in demand for semiconductor products. The market is expected to climb by 4.5% from 2012, thus possibly even reaching a total volume of approximately US\$ 311 billion. The primary growth drivers will be continued growth in demand for tablet computers and smartphones, which should stimulate demand for NAND memory chips. The PC market and the market for DRAM chips will also face weakness in 2013, according to Gartner, although a renewed increase for DRAM is expected in the second half of 2013.

### SEMICONDUCTOR EQUIPMENT INDUSTRY

According to the SEMI market research institute, the first half of 2012 was characterized by solid customer orders. However, customer orders were much slower in the second half of the year. The reason for this was renewed macroeconomic uncertainty on the part of many customers. For 2012, a total decline in demand of 15% is anticipated compared to 2011. For wafer processing equipment demand decreased by 18%, whereas for assembly and packaging the demand for equipment fell by 8% and total test equipment sales declined by 6%. Other frontend equipment sales grew by approximately 4%. Geographically all regions apart from Taiwan and Korea displayed a decline in sales.

For 2013, the SEMI institute projects negative growth of the frontend semiconductor equipment industry of -0.4%. Only in 2014 should demand pick up again, with the market growing by 24.0%.

### EXPECTED DEVELOPMENT ON THE MAJOR MARKETS

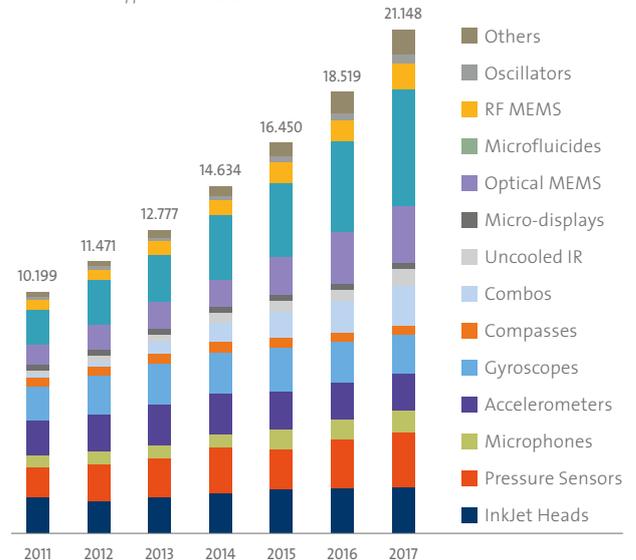
#### MICROELECTROMECHANICAL SYSTEMS MARKET (MEMS)

According to estimates by Yole Développement, the MEMS market will also exhibit double-digit growth in the coming years. This forecast is based on average unit growth of 20% per year and average market volume growth of 13% per year. 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 to be produced per tool.

The areas of motion sensors and microfluidics should experience particularly strong growth. MEMS components, which are used in mobile devices, will also benefit from this.

**MEMS MARKET FORECAST** in US\$ million

Source: Yole Développement June 2012



**ADVANCED PACKAGING AND 3D INTEGRATION**

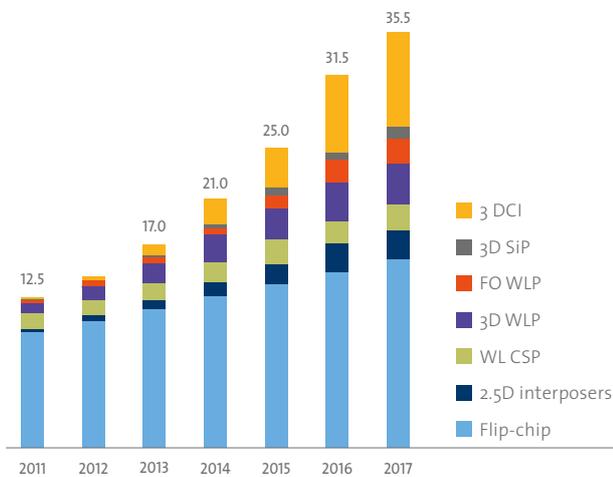
For the advanced packaging market, researchers from Yole Développement are forecasting an average annual growth rate of approximately 18% for the period from 2011 to 2017. However, that is slightly lower than the estimate from 2010, which anticipated an average annual growth of 22%. Particularly, the midend of semiconductor fabrication, which SUSS MicroTec is also active in, will grow in significance in the future since the packaging density in mobile devices is steadily increasing and modern wafer level / advanced packaging technologies will continue to gain in importance.

3D integration is also a type of packaging at the wafer level. One could characterize it as a refinement of conventional advanced packaging technologies or also as “More than Moore.” According to a study by the Yole Développement market research institute, the equipment market for wafer level packaging and 3D integration should achieve an average annual growth rate of 28% until 2017. SUSS MicroTec is active in this growth market with its temporary and permanent bonding solutions.

**GLOBAL WAFER LEVEL PACKAGING DEMAND**

in millions of wafers (300mm)

Source: Yole Développement October 2012



**LED COMPOUND SEMICONDUCTORS (LIGHT-EMITTING DIODES)**

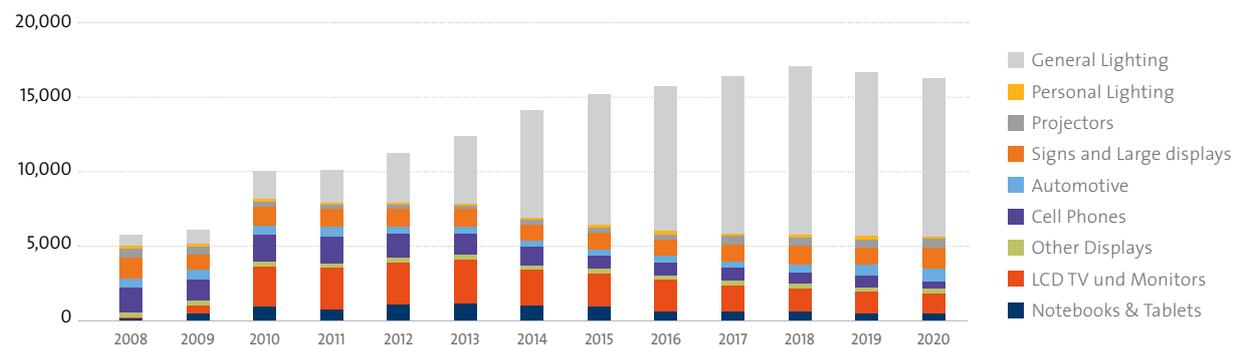
With its specialized product solutions, this market targets manufacturers of high-end light-emitting diodes, i.e. high brightness (HB) and ultra-high brightness (UHB) LEDs, in particular. The experts from IMS Research and Yole Développement expect noteworthy growth in the LED market beginning in 2013. According to forecasts, this growth phase – driven by general illumination, LED TVs, and mobile applications – should last until 2017 / 2018, whereupon a decline in market volume should start in 2018. Reasons for this are the anticipated saturation of the market, extended useful life, and the simultaneous drop in prices for LEDs in subsequent years.

**ENDOGENOUS INDICATORS**

Aside from market conditions, the innovation potential of our Company is also a critical factor for our success. In the first half of 2012, we consistently pursued activities in this regard. With XBC300 Gen2, we introduced a new device platform for 3D processes in volume production to the market. This latest

**PACKAGED LED REVENUES** in US\$ million

Source: Yole Développement August 2012



generation of bonding equipment can be configured for the permanent bonding of wafers or for the debonding and cleaning of 200mm and 300mm wafers. The area of application for XBC300 Gen2 encompasses both production and process development. In addition, March 2012 saw the market launch of RCD8, a new manual tool for coating and developing of substrates. This new platform is characterized by a high degree of application area flexibility combined with lower investment costs.

In the second half of the year, SUSS MicroTec introduced the third generation of ACS200, a newly developed automated coating and developing platform, to the market. The device combines innovative technologies and production-proven components of the well-established ACS200Plus and Gamma platform.

With the acquisition of all shares in Suss MicroOptics S.A. and the relocation to a new modern site, we have achieved another important milestone in focusing on strategically important business fields. We have also firmly integrated the company, which has lithographic enabling technologies that are critical to us, into the SUSS MicroTec Group. We strengthened our position on the product and technology front with the acquisition of Tamarack Scientific Co., Inc., Corona, USA. Tamarack Scientific develops, manufactures, and distributes UV projection lithography devices as well as laser-based microstructuring systems. It focuses on the advanced packaging, 3D integration, MEMS, and LED markets. With the acquisition of Tamarack Scientific, SUSS MicroTec is pursuing a consolidation strategy at the semiconductor backend and is expanding its existing expertise in lithography with projection lithography, a complementary technology.

In 2012, we also entered into various cooperative agreements, notably including collaboration with GenSys and Dow Corning.

#### STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP

Macroeconomic conditions such as the debt crisis in Europe, slower growth in emerging countries, and fiscal policy cut-backs aside, growth trends such as e-mobility, digital lifestyle, and energy efficiency remain intact in the long run.

Given the order backlog as of the end of 2012, the weak economic outlook, and the subdued start in 2013, we are assuming total sales in the 2013 fiscal year of around € 150 million and EBIT in the low single digit € million range. In 2013 our largest segment, the Lithography, will once again contribute the largest portion of the EBIT. Due to a declining sales level and additional burdens arising from the integration of Tamarack Scientific, the EBIT contribution will be smaller than in 2012. We expect rising sales in the Substrate Bonder division, but the segment's EBIT will remain negative. Sales for the Photomask Equipment division will remain on approximately the same level as in 2012, but the EBIT will improve. We remain committed to our goal of sustaining the organic growth of our core business without additional borrowing.

Driven by the semiconductor cycle, market studies expect growth for the mid- and backend markets addressed by SUSS MicroTec in 2014. We therefore expect a low double digit sales growth for SUSS MicroTec in 2014.

#### Forward-looking Statements

This 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 14, 2013  
The Management Board



Frank Averdung  
Chief Executive Officer



Michael Knopp  
Chief Financial Officer