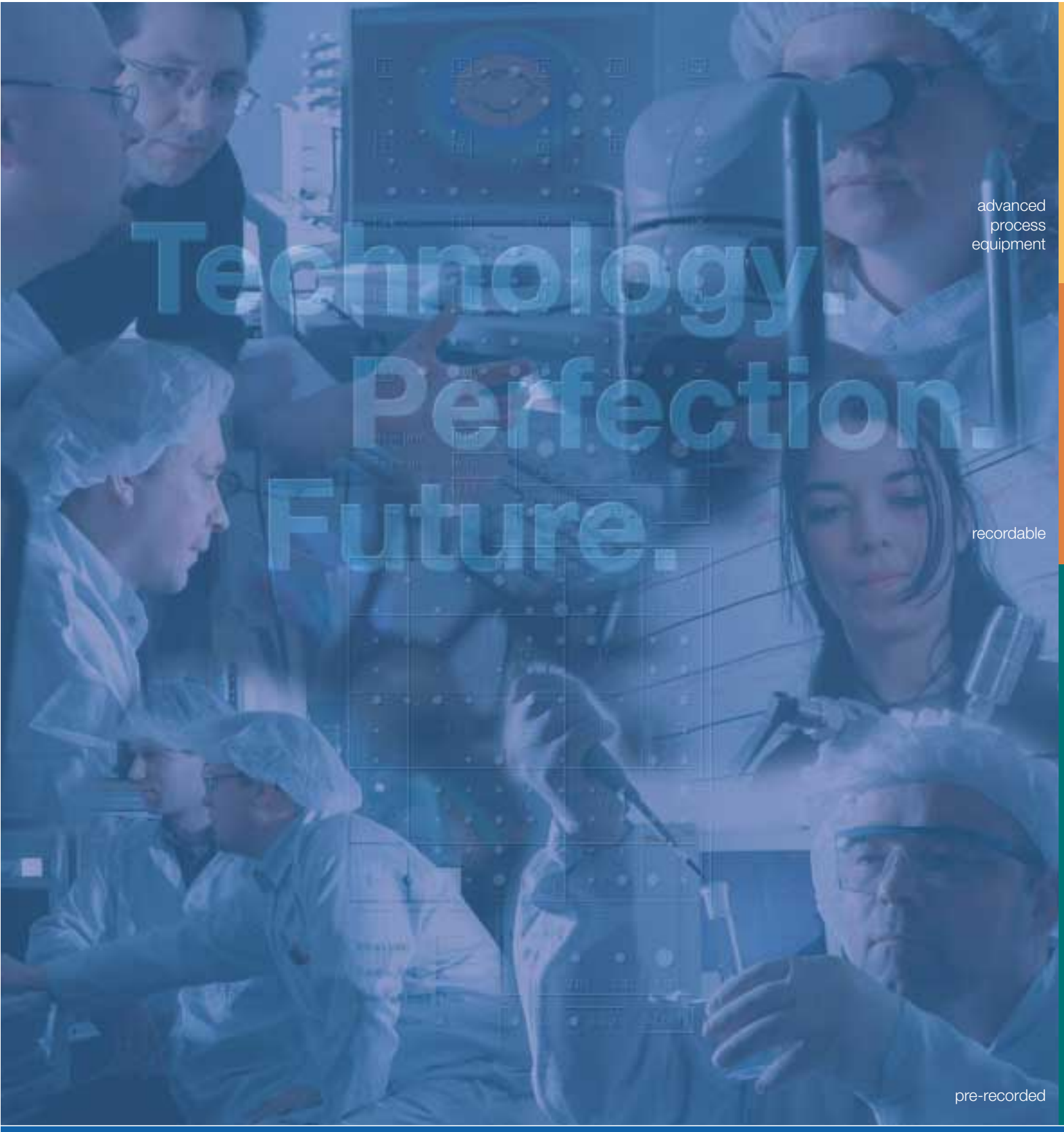


advanced
process
equipment

recordable

pre-recorded

ANNUAL REPORT **2004**

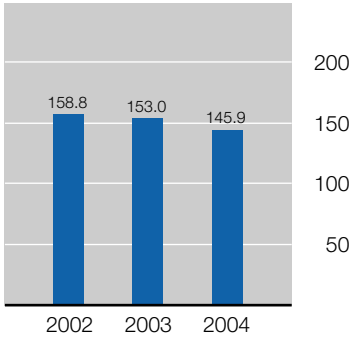
steag hamatech

› YOUR RELIABLE PARTNER
IN A CHANGING WORLD ‹

OVERVIEW OF **KEY FIGURES**

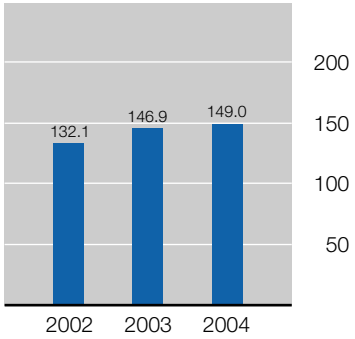
Order Intake

in Mil. €



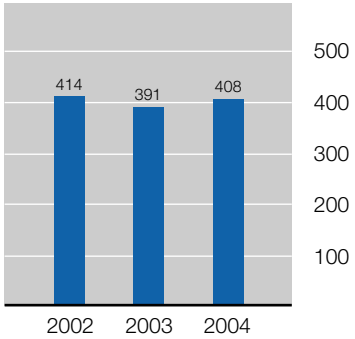
Sales

(Gross) in Mil. €



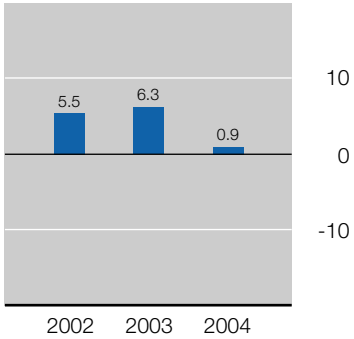
Employees

(Average Number)



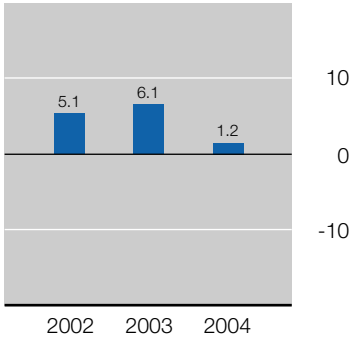
EBIT

in Mil. €



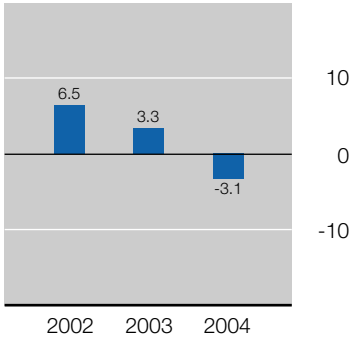
EBT

in Mil. €



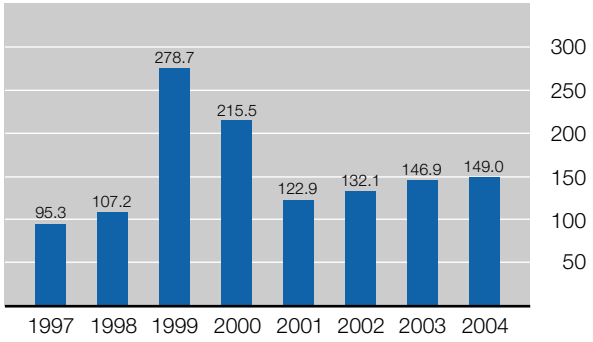
Net Results

in Mil. €



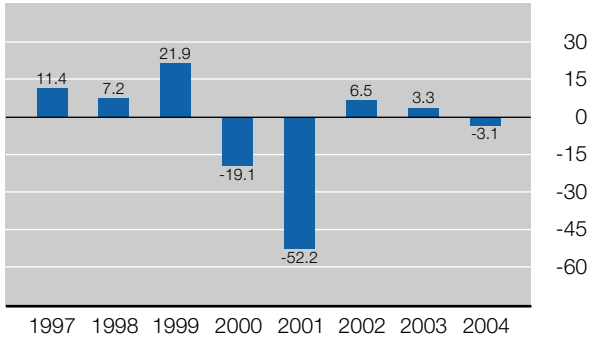
Revenue Development

in Mil. €



Net Results after Taxes

in Mil. €



Headquarter

Subsidiary company

Sales & Service

FIELDS OF ACTIVITY of the STEAG HamaTech Group

As an international leading supplier of system solutions for producers of optical storage media and the semiconductor industry, STEAG HamaTech places the highest demands on its own performance, products and employees. A combination of the latest technology, many years of experience and extensive know-how leads to developments which we present as future-compliant, specifically with respect to product life cycles and high innovation pressure: it is not without reason that top class technology from STEAG HamaTech is used in all important markets around the world.

In the area of Optical Discs, STEAG HamaTech supplies integrated system solutions for all current formats of recordable and pre-recorded optical storage media. With their modular construction, machine, process, and procedure technology are equipped for reliable production around the clock, for short cycle times and for demanding future formats.

STEAG HamaTech also plays a leading international role in the area of Advanced Process Equipment. The systems for production of photomasks are used in the semiconductor industry, by customers whose highest demands we take into account increasingly through our development partnerships. Equally high technology is also used in wafer production, micro-electromechanical systems (MEMS), telecommunications and chip packaging.

Optical measuring technology and analysis systems of our subsidiary, STEAG ETA-Optik, supply complex processes to various branches of automation and processing. Both inline and offline, these types of systems are required for their consistent diversification strategy. This is not only so in the production of semiconductors, but also e.g. for measuring spectral transmission and coating thicknesses on polarisation sheets in production of flat screens.

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FOREWORD FROM THE MANAGEMENT BOARD

Dr. Stefan Reineck
Chairman of the Management Board

Dear Shareholders, dear Interested Readers,

STEAG HamaTech was confronted with two extremely different half-years in its 2004 financial year. Whereas the first half-year was marked with a feeling of confidence and optimism concerning the optical storage media sector (optical disc) with encouraging results being achieved in the first six months, the second half was characterised by a noticeable feeling of uncertainty on the part of customers, together with buying reticence and delayed delivery dates.

The reason for this trend reversal was attributable to the accumulated surplus capacities for recordable DVD/Rs which every manufacturer across the globe was facing with major challenges. Our Pre-recorded division was able to hold its sales at an almost stable level and the Advanced Process Equipment business segment (APE) improved significantly, especially towards the end of the year. Both divisions were unable to compensate the downturn in the Recordable sector, however.

The result was that we were forced to adjust our sales and earnings objectives in 2004 to the prevailing market circumstances. We made no cutbacks whatsoever in our development projects, however. In the final count, we were nonetheless able to close the year with a small pre-tax profit.

These recent occurrences show once again how quickly cycles can develop in our high-tech markets. In addition to the measures already taken to strengthen the technology direction of our Company, we have therefore also continued to optimise our operating procedures and structures with extreme dedication.

Significant competitive advantages through research and development

As far as the future is concerned, the steps already taken to gain effective competitive advantages by means of more research and development is the right approach. We are intensifying the development of new formats in our Optical Disc business segment in order to continue to secure our existing business with major customers. The fact that European producers are retracting to an increasing extent in the current consolidation process within the industry and the production basis for discs is being increasingly transferred to Asia is unsettling for us on account of the increasing competition with Asiatic equipment manufacturers.
The existing infrastructure in Europe is a prerequisite for our technological development but it has to be supplemented by co-operations in Japan and Asia for the Optical Disc sector.

In our Advanced Process Equipment segment, we succeeded in achieving a substantially increased level of business with photomask equipment in the 2004 report year.

Increasing turnover in the sector of most advanced technologies

Our current orders are all based on the latest state of the art which has been developed together with customers in certain cases. This success is based on our proven capabilities and documents the trust and confidence which customers and co-operation partners have in us. In order to achieve the growth potentials of the business sector, we already initiated the development of wafer processing stages in chip production in 2003. With the first orders in various applications, we were able to lay the foundation stone for additional diversification in 2004, with these including niches with a substantial potential. STEAG HamaTech has now established the prerequisites in order to establish a development team for application-related semiconductor products in the United States. In this way, an important step has been made to generate additional added-value in the currency area of the US-Dollar in addition to the desired diversification. Thus, the negative effects of the exchange rate movements in 2003 and 2004 can partially be compensated.

In 2004, our Company succeeded in generating an operating profit despite the substantial downturn in the mainstay of sales (Recordable). In both business segments in 2005, it will be a question of being successful against the trend of weakening markets with the appropriate positioning of products with customers and by means of new technologies – with this being no easy task. In addition to our ability, this approach necessitates healthy self-consciousness on the part of our Company which we want to demonstrate in our approach to the outside world to an increasing extent.

Our priorities are clearly with securing market shares and developing a stable basis for further diversification – thereby securing our future in the longer-term.

At this juncture, I would like to thank all our employees most sincerely for their extreme dedication in the past few years and wish them all the best in 2005.

Our efforts are directed to economical success and securing the long-term future, and thus to the benefit of our employees and shareholders.

Sincerely yours

Dr. Stefan Reineck, Chairman of the Management Board

SUPERVISORY BOARD REPORT

Dr. Jürgen W. Stadelhofer
Chairman of the Supervisory Board

During the period under review, the Supervisory Board monitored and advised Management on a regular basis. It received regular verbal and written reports from the Management Board concerning the situation of the company, major business events and projects. All business requiring the consent of the Supervisory Board was discussed in detail at one special Supervisory Board meeting and at five ordinary Supervisory Board meetings. These meetings mainly concerned providing advice regarding measures for dealing with the difficult market situation encountered during the second half year, product development work on the new DVD/R and DVD-ROM equipment, business plans and financing, the Corporate Governance Code (especially the resolution concerning the efficiency of the Supervisory Board), as well as Management Board personnel matters. One of the Supervisory Board's two committees, the Audit Committee, met twice, specifically to address issues concerning the annual and consolidated financial statements, risk management and the current business situation. The other committee, the Presiding Committee, met only once during the year under review.

At the general meeting held on May 14, 2004 in Pforzheim, the Supervisory Board was re-elected. All current members of the Supervisory board returned to their same offices.

At the same time, Dr. Frank Michels, who was previously the Chief Operating Officer of STEAG HamaTech AG, left the Management Board by mutual agreement. The Supervisory Board thanks Dr. Michels for his loyal contribution.

On December 31, 2004, Chairman of the Supervisory Board Dr. Jochen Melchior, and Supervisory Board Member Mr. Michael Willems left the Supervisory Board of STEAG HamaTech AG. The Supervisory Board thanks Dr. Melchior for his successful work in further developing STEAG HamaTech and especially for his immense entrepreneurial élan. The Supervisory Board thanks Mr. Willems for his knowledgeable contributions.

On January 3, 2005, the responsible Pforzheim Local Court appointed Mr. Heribert Protzek and Dr. Jürgen W. Stadelhofer as members of the Supervisory Board, in accordance with § 104, para. 2 of the German companies act (AktG). At the Supervisory Board meeting held on January 18, 2005, Dr. Jürgen W. Stadelhofer was elected as Chairman of the Supervisory Board.

At the meeting held on March 22, 2005 in the presence of the auditor, the Supervisory Board carried out detailed deliberation and auditing of the annual statement of accounts as of December 31, 2004, the management report, and the consolidated financial statements as of December 31, 2004. The business plan and new projects were also discussed.

The annual statement of accounts of STEAG HamaTech AG, the consolidated financial statements as of December 31, 2004, and the management report and group management report were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, and issued with an unqualified audit opinion in accordance with § 322 AktG. The Supervisory Board noted and approved the results of the audit.

The Supervisory Board approved the annual statement of accounts of STEAG HamaTech AG and the consolidated financial statements. The annual statement of accounts was thus adopted.

The report prepared by the Management Board on the relations with affiliated companies, in accordance with § 312 AktG, concludes with the following declaration: "Our company has received reasonable consideration for each legal transaction, under the circumstances known to us at the time of the legal transactions". The auditor issued the following certification of this report:

"According to the results of our mandatory audit and assessment, we confirm that

1. the facts stated in the report are accurate,
2. the legal transactions disclosed in the report regarding the services of the company were not unduly high."

The Supervisory Board noted and approved the result of this audit and raised no objections, either based on its own audit of the report on the relations with affiliated companies or based on the final statement of the Management Board contained in this report.

The Supervisory Board thanks the Management Board and all employees for their efforts.

Essen, dated March 22, 2005

Dr. Jürgen W. Stadelhofer, Chairman of the Supervisory Board

SUPERVISORY BOARD MEMBERS 2004

Dr. Jochen Melchior, Essen *
Chairman
Chairman of the Management Board of STEAG AG, Essen

Dr. Jürgen W. Stadelhofer, Köln **
Chairman
Chairman of the Management Board of RAG Coal International Aktiengesellschaft, Essen

Dr. Hans-Georg Betz, Fremont/USA
Vice-Chairman
CEO of West STEAG Partners GmbH, Essen

***Michael Schilling,* Munich**
Personally liable shareholder of Reuschel & Co, Munich

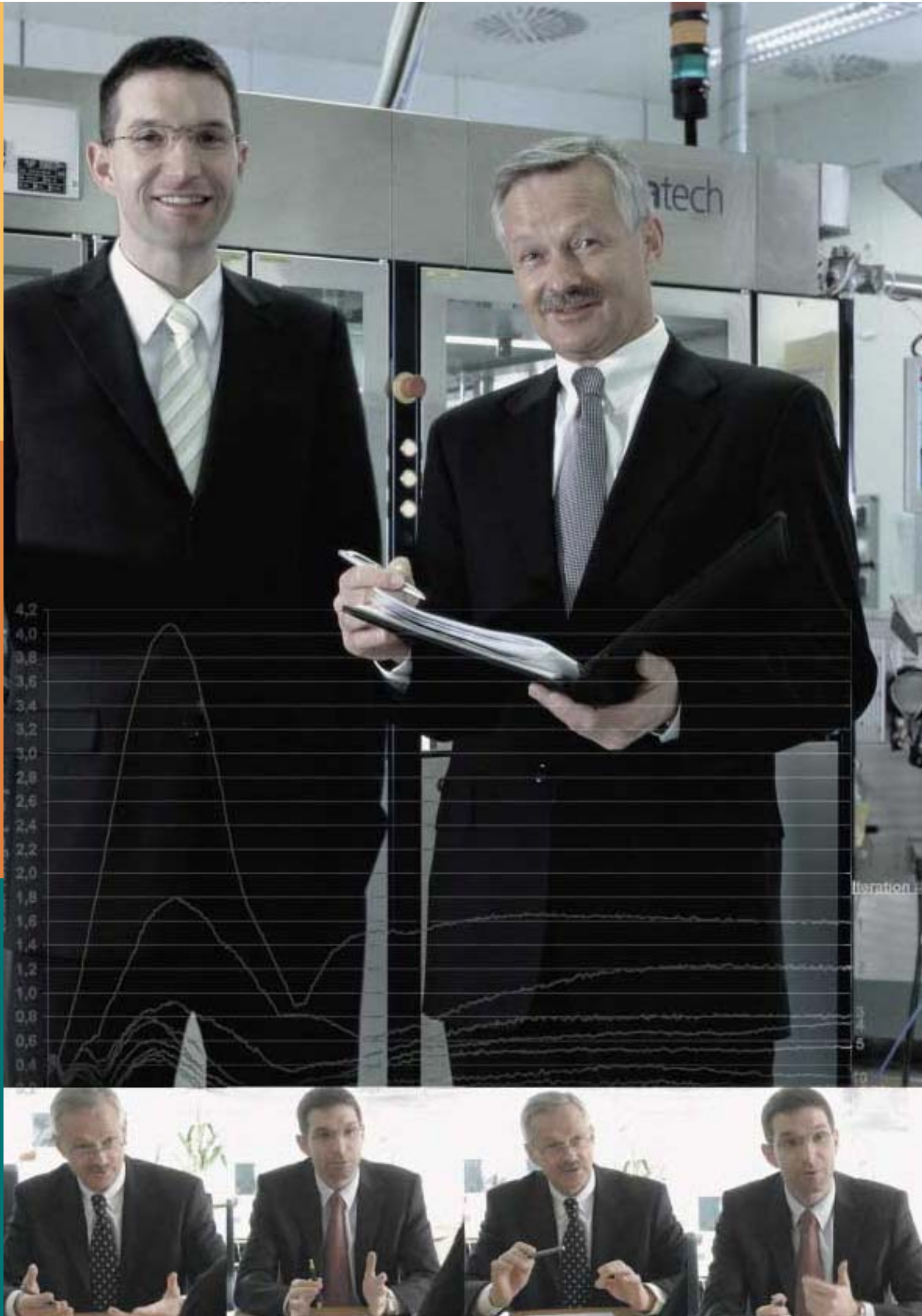
Dr. Andreas Urban, Essen
Attorney, Heuking Kühn Lüer Wojtek, Düsseldorf

Michael Willems, Essen *
Member of the Management Board of STEAG AG, Essen

Heribert Protzek, Bottrop **
Member of the Management Board of RAG Coal International Aktiengesellschaft, Essen

Dr. Andreas von Zitzewitz, Maitenbeth
Member of the Management Board of Infineon Technologies AG, München

* *Until December 31, 2004*
** *Since January 3, 2005*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THE MANAGEMENT BOARD

After studying physics in Darmstadt and Gießen from 1980 to 1991, **DR. STEFAN REINECK** (on the right) worked in various management functions in an international machine producer for the semiconductor and data storage industry, in his last position as the divisional manager for data storage equipment.
He then assumed the position as Director, last as the Managing Partner of a medium-sized manufacturer of equipment for the telecommunication industry. Following the sale of this company, Dr. Reineck has been working as a management consultant and investor since 2000.
He assumed the position as Chief Executive Officer of STEAG HamaTech AG on September 1, 2002.

MEMBERSHIP IN OTHER BOARDS

- Sole Director der STEAG HamaTech USA, Inc., Austin, Texas/USA (since 01.01.2003)
- Member of the Supervisory Board of NanoScape AG, Munich
- Chairman of the Supervisory Board of AttoCube Systems AG, Munich

DIVISIONAL RESPONSIBILITIES

- Sales & Marketing and Product Management of the Optical Disc business segment
- Advanced Process Equipment business segment
- Quality Management
- Public Relations and Advertising
- R&D for the Optical Disc segment (since May 2004)

DIPL.-WIRT.-ING. JOACHIM EPPINGER (on the left) studied business engineering sciences at the Technical University of Karlsruhe and subsequently graduated with a MBA degree in the US.
As from 1993, he worked as a management consultant and in the controlling division of an automotive manufacturer before joining STEAG HamaTech in 2000 and shortly thereafter, he assumed the management of the Business Administration area.
Mr. Eppinger has been the Chief Financial Officer of STEAG HamaTech AG since May 2002.

DIVISIONAL RESPONSIBILITIES

- Finance
- Controlling
- Human Resources
- Purchasing
- Investor Relations
- Operations in the Optical Disc segment (since May 2004)

DR.-ING. FRANK F. MICHELS (R&D and operations in the Optical Disc segment) ceased to be a member of the Management Board of STEAG HamaTech AG at the end of the General Meeting on May 14, 2004.

INTERVIEW WITH THE MANAGEMENT BOARD

In its core business, STEAG HamaTech is highly dependant on the cycles of the Optical Disc industry. Obviously, these cycles are occurring with increasing frequency. How can the company reduce the negative effects of a downward trend?

Ideally, we would produce at high margins and remain profitable even at low usage. However, the recordable business as our largest turnover generator will not allow these margins whilst there is no market consolidation. Therefore, our current strategy is to position ourselves – particularly through the use of technology – such that we are the favourite supplier where market demand is dampened. Also, we are especially emphasising customer loyalty with those customers that are the strongest despite the downward trend, such that we can profit from this at the present time. Furthermore, it is extremely important for us to reduce our dependence on this area in the medium term.

Does this imply intensification of business in other areas?

Most certainly, yes. In the last two years, we have already provided a system to allow for the highest productivity, which was able to reduce the turnover share from the Recordable sector to 75 percent. With our new development, we will also gain increasing market share this year.
In 2005 we want to grow further with Pre-recorded and expand our Advanced Process Equipment area.

The Optical Disc industry forecasts for 2005 show slow decline. Do you expect to grow in Pre-recorded in spite of this?

Indeed. We do not expect increases from the large DVD producers, who are currently on an investment break, but rather from our European business and from new regions such as the Middle East, Russia and South America. Here, there is further demand from customers who especially value our reliability in providing support for both current systems and future formats.

How do you view the introduction of future formats such as HD-DVD and Blu-ray?

Basically, the introduction of the pre-recorded format will precede recordables. At the end of 2005, we will see consumer products for pre-recorded HD-DVDs on the market – not in large quantities, but with continuous growth. We are equipped for this and, with our new products, we can supply the required processing technology. The Blu-ray format will follow. Here, we still have some homework to do with respect to development, although we already have a solution, e.g. for applying the critical coating layer as a sheet with a hard protective layer.
Recordable formats will follow with a delay of at least a year, as the complexity of this

still requires significant development steps to provide cost-effective solutions. Our development work in this area is being undertaken in close co-operation with partner companies in Asia and Europe.

How do you envisage the long-term development of the Optical Disc?

As a storage medium, I think the Optical Disc still has a long life. Nonetheless, companies such as STEAG HamaTech will increasingly have to look into the question of which technologies represent a long-term, sustainable basis for business in systems sales. This is the reason why – over a year ago – we began conversion into a more technology-oriented company. So, we are working on achieving know-how to enable us to supply processing technology and systems for production of other modern, high-tech products. Here, I am thinking of holographic storage, as well as other products not necessarily in the area of storage technology – perhaps for solar technology.

In this context, what is the significance of the area of Advanced Process Equipment (APE)?

Actually, this area is an important basis for the diversification I mentioned. In 2004, business for photomask systems experienced a definitive increase with respect to both turnover and order intake. This will continue against the trend of weak markets in the semiconductor sector; particularly due to groundbreaking developments made with well-known co-operation partners. In order to make optimum use of this opportunity, we have decided to separate the organisation of applications in the wafer area and we have constructed a designated profit centre. This area of the business will operate from both sites – Sternenfels and Austin/USA – although market-focused developments will be progressed in Austin. In two to three years, we expect an additional contribution to turnover of € 20 million, which will significantly reduce dependence on the Optical Disc market. Initially, this expansion will affect our profits. However, as these businesses traditionally allow for high margins, the profit situation will improve in the medium-term.

Why take the knowledge centre for semiconductor equipment to the USA and not Asia, where the largest market is generally expected?

For this expansion in the area of Advanced Process Equipment, we defined various criteria to meet for success. These include proximity to customers and applications, as well as availability of experienced employees. Both of these criteria are met at the Austin site, where there is also a development centre for the SEMATECH joint project. Initially, we will develop the Asian market from the USA. In the medium-term, we may require a site in China, but only after we have gained a stronger footing in the market for semiconductor equipment.

So will diversification be developed primarily in APE?

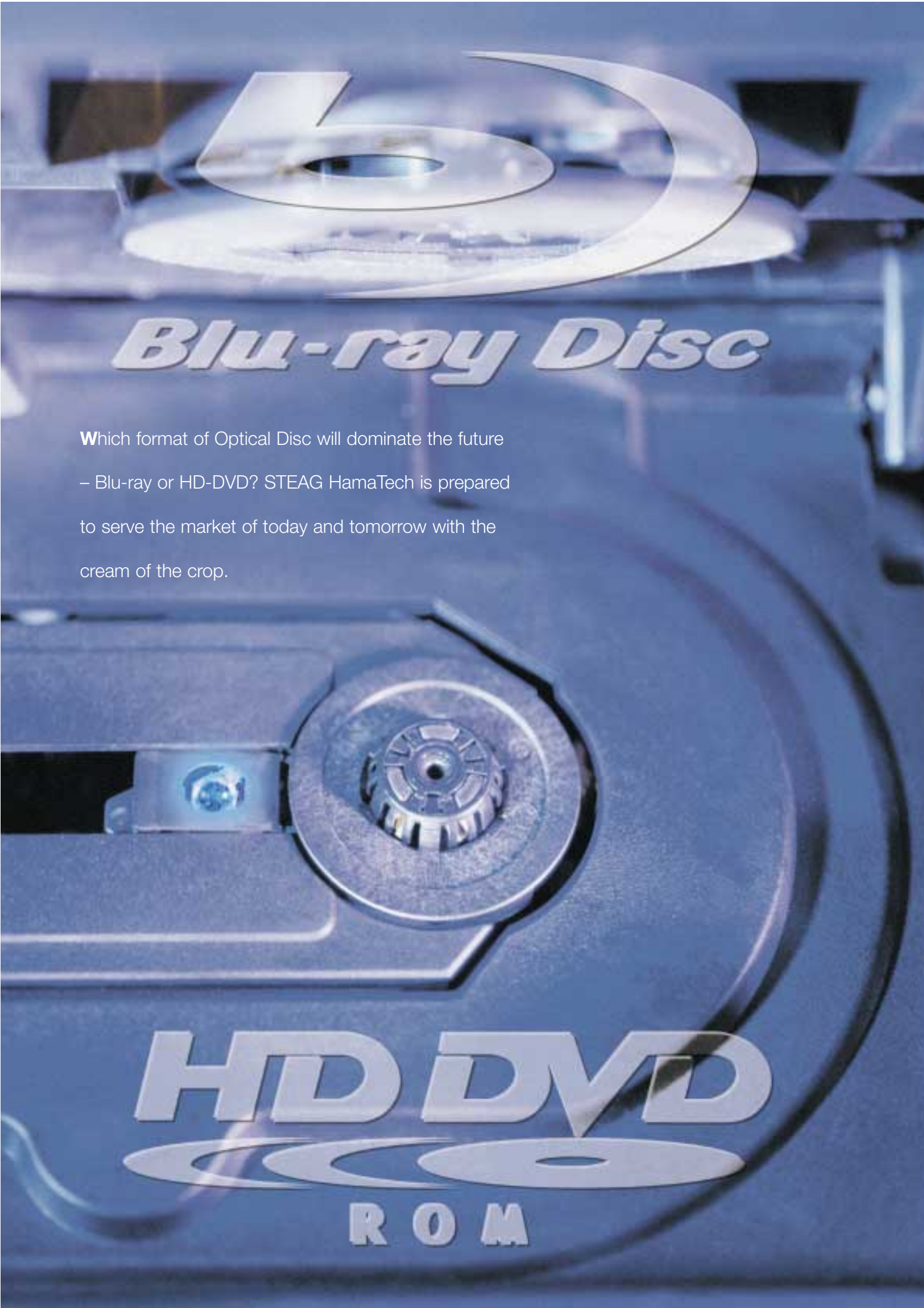
Synergies in research and development between the different business sectors

In diversification, technology developed in both segments is important. For example, our patented CapCoating process for the new Blu-ray technology is up for discussion. This could form an extremely strong unique selling point and therefore a competitive advantage. For other applications, quick automation technology from the area of Optical Discs has been combined with APE process and measuring technology from our subsidiary, ETA-Optik. So, there are many examples of cross-section technology, which we use for new applications above and beyond area and location.

That sounds like high diversification of the various sites.
What is the role of the various sites in the company strategy?

Ultimately, our company will be built on several pillars, which will be increasingly less reliant on one another. Sternenfels is the company headquarters, with administration, sales and primary responsibility for development. This is where new prototypes are produced for new products or a new generation of products – keeping development and production close together. Production of the most complex products, such as those for processing photomasks, will continue to be in Sternenfels. This also includes customer-specific solutions, such as we are planning for the area of micro-mechanics with a market focus on the EU. Depending on the product and the market, it will not be feasible to produce all products in Sternenfels. Part of the production is being moved to our sister company in Nové Mesto, which we want to fully integrate. With the acquisition of additional customers, Nové Mesto is already providing intensive diversification. Newly developed products, e.g. for wafer processing in the area of APE, can be transferred to the USA or even Asia. In so doing, it is important that the question of value added in other currency regions does not remain unasked. ETA-Optik in Heinsberg remains the know-how centre for optical measuring technology, from where a large field will be opened up outside the Optical Disc industry. It is important that Sternenfels acts a productive nucleus for new products, providing continual innovation. This requires the best manpower available, which – in turn – secures the future of the site, and therefore the whole company.

Many thanks for your time.

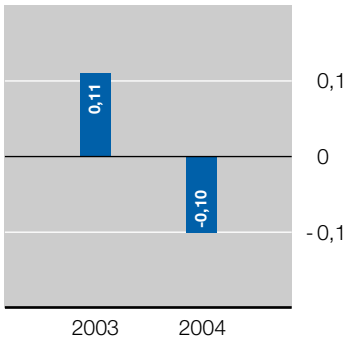


Which format of Optical Disc will dominate the future – Blu-ray or HD-DVD? STEAG HamaTech is prepared to serve the market of today and tomorrow with the cream of the crop.

INVESTOR RELATIONS

Earnings per share

in €



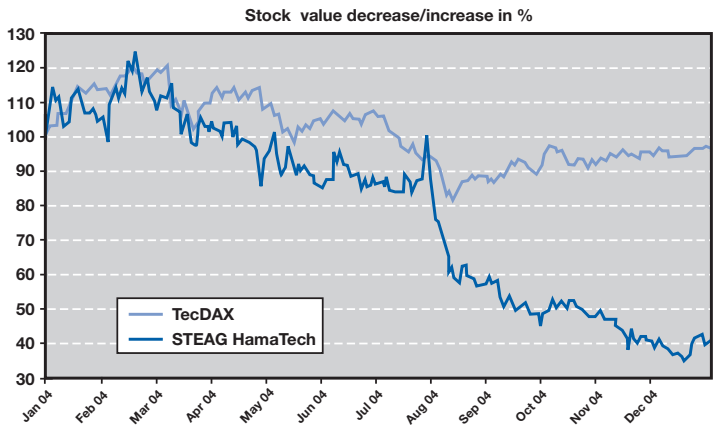
At € 4.08, STEAG HamaTech stock made a good start to 2004. In a volatile market, the stock showed a slight negative development for the first half-year. However, with a loss of 14.8 % (as at June 30, 2004) the stock ran almost similar to the TecDax – a comparable index – which ran at a slight profit of 6.7 %. The collapse in the Recordable media sector during the second quarter and the fact that business was substantially slower than expectations during the second half year resulted in the stock suffering more serious losses during this period. At a price of € 1.50 (on December 31, 2004), the stock showed a devaluation of 61.0 % relative to the start of the year.

Stabilising business then produced a turnaround in the progress of the stock price at the end of the year under review. Thus, since December 20, 2004, at an all-year low of € 1.18, it had recovered by 101 %, to reach € 2.37 by February 28, 2005.

TRANSPARENT CAPITAL MARKET COMMUNICATION

STEAG HamaTech continued to pursue its principle of transparent communication in the capital market during 2004. Thus, every quarterly report was accompanied by an analysts' or telephone conference. When the results failed to meet the expectations of the financial community, this was reported in advance by means of an ad hoc announcement. In addition to continuing media work, numerous meetings were held with analysts and institutional investors, some at the DVFA Conference and some at the analysts' event as part of the sector's most important trade fair, "Media-Tech", held in Frankfurt in May 2004. The approx. 10 analysts currently covering the company, shows the level of interest from the capital market in STEAG HamaTech AG.

STOCK DEVELOPMENTS RELATIVE TO THE TECDAX INDEX

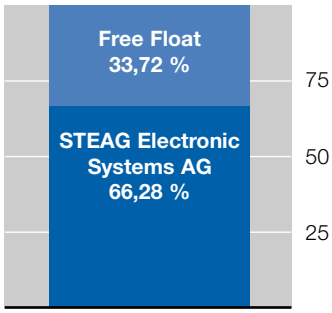


CHANGES TO CORPORATE STRUCTURE

Structural changes to RAG AG, the holding company of STEAG HamaTech, brought about certain restructuring to the stockholder relationships during the past half-year. This resulted in a two-stage process whereby 66.28 % of the stock was transferred from the former majority stockholder, STEAG AG, to the new majority stockholder, RAG Coal International AG. This stock package is an indirect holding covering two associated companies. STEAG Electronic Systems AG remained the direct majority stockholder. However, changes in voting right percentages do not affect the operative business of the company.

Structure of shareholders

in %



STRONG POSITION IN A VOLATILE MARKET

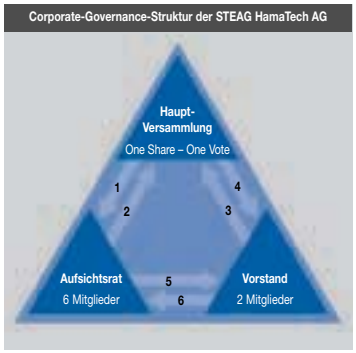
As a technical supplier of high-quality production plant to the optical storage media and semiconductor industry, STEAG HamaTech is operating in a volatile market. However, strong market position and leadership in terms of technology mean that the company is ideally positioned to meet challenges both in the present and in the future. A strong team in research and development, sales and service is a contributing factor in the economic success of STEAG HamaTech in a difficult market.

The declared objective of both the Management Board and all employees is to increase the value of the company through exceptional commitment and motivation over the long-term, thus contributing to a positive development in stock value.

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of STEAG HamaTech AG place great emphasis on responsible management and control, focused on long-term increase in value added. Therefore, they have been bound by the principles of the regulatory commission of the German Corporate Governance Code since its first publication in 2002. Since 2002, the previously existent reporting and control mechanisms have been adapted, in several stages, both to the commission's rules and to the requirements of the company.

In accordance with requirements, the declaration of compliance as per § 161 AktG was published in 2004 on the company WebPages. This includes not only deviations from the code but also an explanation of these.



1 - elects members
- gives annual formal approval

2 - is entitled to call meetings
- reports to General Meeting

3 - is entitled to call meetings
- reports to General Meeting

4 - gives annual formal approval

5 - supervises management
- appoints members

6 - reports to Supervisory Board

QUALITY

With numerous ideas, measures and corresponding results, the quality management at STEAG HamaTech systematically continued its established course in 2004. As planned, the desired certification of the whole Sternenfels location based on ISO 9001:2000 was concluded in July 2004, after the Advanced Process Equipment business segment had already been certified in the previous year. Operating processes are there-fore fully defined and form the basis for further ongoing improvements.

The operating divisions were confronted with major challenges in their work on account of extreme market fluctuations – what was previously defined as a standard process was frequently not sufficient for dealing with the relevant duties and responsibilities. Despite these adverse market-related conditions, guarantee costs were for example reduced to 1.2 percent of sales in the Optical Disc business segment – a more than significant value compared to the average for the industry.

Additional improvement projects as part of the Total Quality Management System (TQM) were the introduction of KanBan sourcing system for the production of metallizers at the Sternenfels location, the establishment of an Intranet platform for improving internal information and communication and extending the ERP-system BaaN to the associate company Nové Mesto (Slovakia).

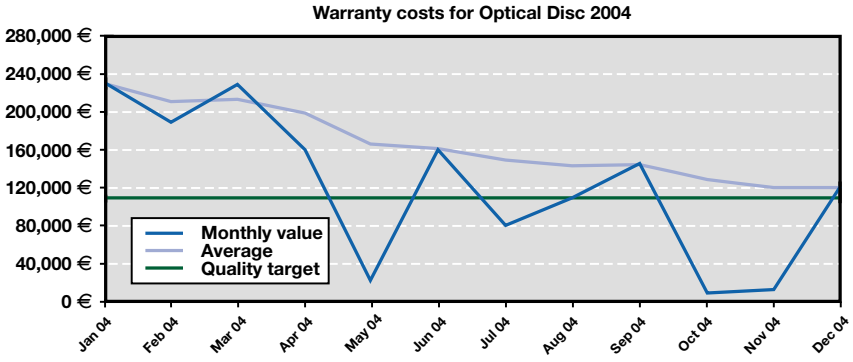
High level of staff integration as part of a TQM system

In October 2004, the starting shot was fired for IMPROVE, the new idea management system at STEAG HamaTech. This not only shows the direct savings potential but also has a major function within the TQM system of repeatedly drawing the attention of all employees to the individual processes and their optimization. As part of the IMPROVE system, 16 improvement suggestions have been received to date, of which seven have already been implemented. The savings potential of all suggestions amounts to € 920,000 per year.

The Equipment Qualification Centre which was established last year is operating further in 24-hour operations and has provided valuable knowledge which has been implemented into existing products and new product lines.

The main projects for 2005 are directed towards the following:

- A significant reduction in installation times on the spot
- A further reduction in default costs
- Halving the average order throughput period
- Introduction of a KanBan system in our associate company in Nové Mesto.



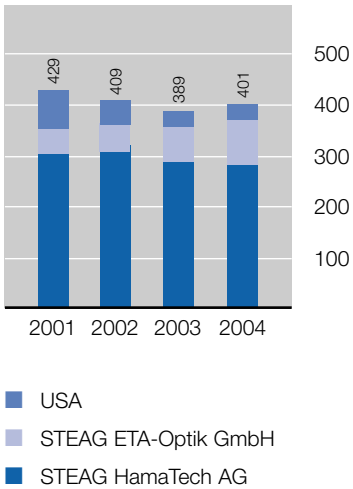
HUMAN RESOURCES

Staff work supports the development of STEAG HamaTech to become a leading supplier of technology

The total number of people working for the STEAG HamaTech Group at the end of 2004 remained almost unchanged relative to the previous year, at 401 employees.

There were opposite employment trends in personnel at the individual company sites: whilst 284 people were employed at Sternenfels on 31.12.2004 (i.e. slightly fewer than the 291 people employed on the same date the previous year), STEAG ETA-Optik GmbH in Heinsberg increased its workforce during the same period by 19 people, or 27 % to a total of 90 employees.

Employees as of Dec. 31



The weakness in the primary market for plant in production of recordable media, which had a negative effect on capacity utilisation in summer 2004, together with continuing relocation of all series production activities in the field of Optical Disc equipment to sister company STEAG Electronic Systems in Nové Mesto, Slovakia, resulted in the loss of around 30 jobs at Sternenfels in the areas of assembly and commissioning. This trend was largely offset by targeted personnel increases in the development and prototyping departments, through new recruitment or relocation of staff from positions no longer required.

At STEAG ETA-Optik GmbH, substantial increases in turnover and incoming orders during the first half-year in 2004, as well as gains of new markets and business in Asia, led to various new appointments in the areas of sales, development and production. The personnel level at STEAG HamaTech Inc. in Austin, USA, remained unchanged at the end of 2004, with 27 employees.

The distribution of employees by function area emphasises the efforts of STEAG HamaTech to continue consistent expansion of technological expertise and focus on development of superior products and processes. In 2004, the personnel level in research and development was equal to the level in production. The percentage of the entire workforce employed in research and development rose from 28 % in the previous year to 32 % in 2004. This trend is set to continue during the current financial year. The relocation in 2004 of production operations to the site at Nové Mesto in Slovakia, necessitated optimisation of the supply chain – from procurement to production and distribution – and the development of a logistics system capable of fulfilling the requirements of these. Therefore, a new “Supply Chain Management” area was created, for which it was possible to recruit an experienced Supply Chain Manager at the end of the fourth quarter.

In 2004 there was a pleasing reduction of around 24 % in the illness quota. This can be interpreted as a consequence of the way targeted reorganisation has produced new and motivating task distribution opportunities.

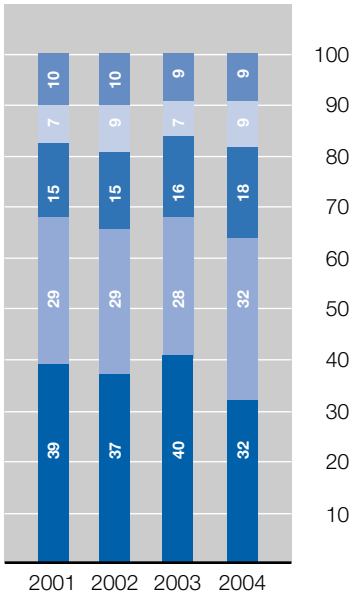
As an instrument for increasing employee motivation and identification with the company, the IMPROVE ideas management system was introduced in autumn 2004.

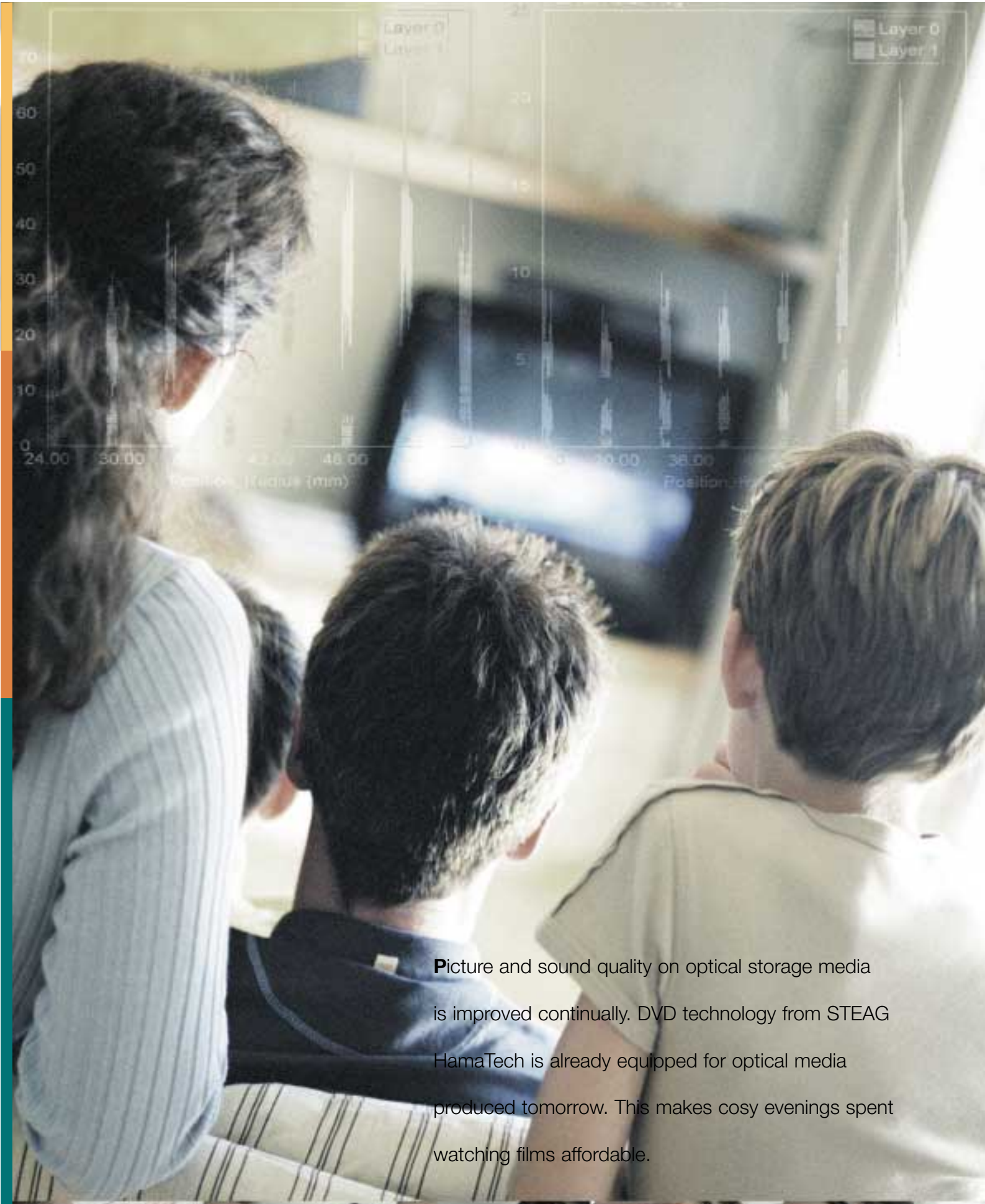
IMPROVE provides STEAG HamaTech employees with a low-administration platform for presenting decision makers with ideas that are beneficial to the company and that extend beyond employees' own spheres of responsibility. When an idea is accepted, the employee concerned receives a special bonus in accordance with a staggered bonus scheme.

Despite the extremely high qualification level of the entire workforce, the aim of establishment and retention of the position as the market leader for technology requires increased efforts in terms of personnel development. So, in 2004, for the first time, the specialist expertise of the employees was expanded through regular internal training courses. In addition to this, targeted external training was also provided. In cases where externally recruited specialists are strengthening existing teams, a system has been introduced to disseminate the know-how obtained. Moreover focus is also on for further improvement of soft skills in the area of behaviour and personality, in order to strengthen the social competence of the entire workforce. Over the coming year, planned, targeted training measures are intended to produce an even stronger, self-developing, continually learning organisation, where employees work at a high level of self-responsibility.

The Management Board thanks all employees for the loyalty, exceptional commitment and outstanding performance shown during the financially difficult months of the past year.

Employees as of Dec. 31 by functional area in %





Picture and sound quality on optical storage media is improved continually. DVD technology from STEAG HamaTech is already equipped for optical media produced tomorrow. This makes cosy evenings spent watching films affordable.

GROUP MANAGEMENT REPORT – OF THE STEAG HAMATECH GROUP FOR THE FINANCIAL YEAR 2004

1. OVERALL ECONOMIC DEVELOPMENT DURING 2004

Growth mainly outside Europe

A global consideration of the world's economy in 2004 explains that rates of growth above average have been achieved outside Europe first and foremost; especially in Asia and South America. However, economic activity in regions such as the Middle East and Russia has grown noticeably too. Companies within the Euro Zone that are orientated to exports, were therefore forced even more strongly than ever to seek new markets and extra potentials for business beyond the European frontiers.

The Euro has simultaneously continued is trend of the previous years of appreciating in value considerably against the other important currencies: by a further 8 % against the US dollar during the year now expired, which compares with 20 % during 2003 and by a further 4 % against the Japanese yen during 2004, which compares with 8 % during 2003. The competitive factors for European companies overseas have been exacerbated as a result.

1.1 BUSINESS SEGMENT OPTICAL DISC

Positive first half-year, market slump in summer

The manufacturers of recordable storage media have experienced two very different half-years during 2004: whereas the level of economic activity continued to progress well in the branch of industry during the first months of the year, there was a drastic slump in demand within a very short time from June onwards. New orders were almost non-existent on account of excess capacity throughout the industry; deliveries for orders that had been placed already were postponed noticeably in some cases. These factors resulted in partially weaker turnovers during the second half of the year for the manufactures of equipment and they produced high stocks on hand in some cases, which exerted additional pressure on prices. Besides the weak margins, shortages of polycarbonate – which is the most important raw material for production – and increased prices for it, caused additional problems for our customers as did the unsecured supply of this basis material, which led to investments being postponed yet again.

The weak demand for production equipment to manufacture recordable media exerted a corresponding pressure on the prices for equipment during the second half-year of 2004: this pressure dropped prices by 10 % to 15 % percent for DVD/R equipment; there was a fall of between 5 % and 10 % for CD-R equipment too.

The indicators for a slow reduction of the massively excess capacities intensified at the end of the business year: especially for the DVD/R format. Individual customers showed themselves to be cautiously optimistic at the year's end, in the expectation that the demand would grow during 2005.

New markets in the Middle East, South America and Russia

The penetration of households by appropriate players continued to increase during 2004, concerning the Pre-recorded media of CD and DVD. Although the demand for these media continued to grow overall during 2004, the growth slowed down noticeably in the established markets compared with previous years. New markets arose meanwhile in the Middle East, South America and Russia for example. The demand for manufacturing equipment to produce Pre-recorded media only rose slightly overall, when compared with the previous year. The low growth of DVD led to an additional pressure on the prices for equipment, whereas the declining market for CDs continued being subjected to a bitter price war.

1.2 BUSINESS SEGMENT ADVANCED PROCESS EQUIPMENT

American market defends its role. Asia on track for growth

The recently expired business year was characterized by growth – even with capital goods – after several years of consolidation in the semiconductor industry between 2001 and 2003. Decisions about expansion and new building chip factories were made during the first two quarters primarily; the so-called ”book-to-bill ratio“ continued to fall slightly by 1.0. The geographical shift of the business focus towards Asia continued to progress in the semiconductor industry during 2004 too. Whereas the American market was able to continue defending its significant role concerning technological development in many branches of industry, no notable stimuli for growth emerged from the European market during 2004. The unfavourable exchange rate exacerbated the competition vis-à-vis suppliers from the USA and Japan, whom the European manufacturers shall have to confront with products and services that are superior.

2. BUSINESS DEVELOPMENT

2.1 ORDER INTAKE

Share of the DVD/R global market has grown to more than 20 percent

STEAG HamaTech succeeded with defending its leading position in the Recordable disc devision with its ”3503“ range of products during the business year of 2004, despite the significant slump in demand during the second half of the year.

The growth of production equipment in the DVD/R division accelerated up to the middle of the year in 2004. STEAG HamaTech has participated in this development disproportionately and it expanded its share of the worldwide market to over 20 %. The order intake for the company was running at € 62.5 million during 2004, i.e., 85 orders for equipment. The dynamically upward trend is emphasized when one compares the previous year's value of € 29.6 million, i.e., 38 installations. These figures do not convey the actual development of selling prices for equipment, on account of some injection-moulding machines that are included in these values.

The division was subjected to massive competition continuously – and there was a considerable pressure on prices as a result - irrespective of STEAG HamaTech's noticeably improved positioning technologically. The prices for equipment dipped by more than 10 % during 2004 because they were additionally driven by the exchange rate's unfavourable development. STEAG HamaTech's main competitors in this division come from Japan and they were able to profit from a renewed shifting of the relative exchange rate as a result.

Drop in demand for CD-R systems

Orders totalled € 31.6 million in the CD-R format, i.e., 37 CD-R installations have been booked during the reporting year; the values lay noticeably below those of the previous year as a result, as expected (€ 71.2 million, i.e., 96 CD-R installations). The average ordering price rose by more than 10 % compared with the previous year, on account of a rising proportion of equipment including injection-moulding machines during 2004. The selling price of purely CD-R equipment continued to decline slightly, however.

A large number of new customers was able to be gained during 2004 nevertheless: mainly in small but strongly growing markets such as the Middle East, South America and Russia. In addition, many existing customers confirmed their satisfaction with our equipment by placing follow-up orders.

Broadening of customer base for DVD

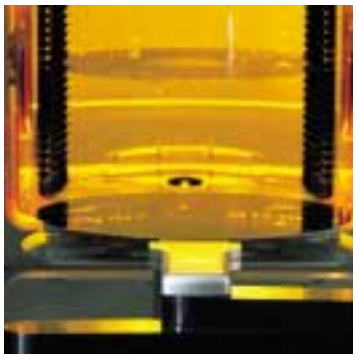
The whole market for the DVD format in the Pre-recorded division reported a slight fall during 2004: 27 items of equipment have been booked as new orders during 2004, i.e., over € 20.1 million overall compared with € 22.4 million, i.e., 30 installations during the previous year. Even though a slight decline had to be recorded during 2004, the customer base was indeed further expanded in this division.

Drop in demand for CD-Audio and CD-ROM

The demand for equipment to manufacture the CD audio and CD-ROM formats declined again during 2004, despite the continuously high circulation of these products. The business is essentially characterized by replacement investments. New investments on account of growing demand only took place sporadically. The competition in this format was correspondingly intensive and it was led by the price of equipment primarily. STEAG HamaTech is only represented very weakly in this segment of the market and it is avoiding the continuous price war with CD equipment as a result. A total of € 1.8 million, i.e., 7 installations were sold during 2004, compared with the booking of new orders amounting to € 4.5 million, i.e., 18 installations during 2003.

The Optical Disc business segment booked new orders totalling € 125.8 million during the business year of 2004 and it thus lay 11 % below the previous year's level of € 140.7 million as a result; there was a decline of 14 % during the reporting year compared with 2003, in relation to the number of equipment ordered.

Significant increase for the APE sector



ModuTrack
Equipment for wafer applications

The Advanced Process Equipment segment (APE) booked new orders totalling € 20.1 million during the business year of 2004, which corresponds to a noticeable increase compared with the previous year (€ 12.3 million in 2003). The extent to which new orders were booked during the fourth quarter was very satisfactory, in particular. The fact that a larger order with the American development consortium of the most renowned semiconductor manufacturers has been signed, confirms STEAG HamaTech's uninterruptedly strong position in the line of business for equipment to manufacture photomasks. A further order was able to be signed for the new "ModuTrack" platform during 2004, in the wafer applications line of business.

The regional distribution shows the following picture for order intake during 2004: the high proportion of orders from Asia amounted to € 92.2 million (€ 95.9 million during 2003) and it proves this region's highly dynamic growth. The business in Europe declined from € 45.3 million during 2003 to € 34.7 million during 2004. New orders amounting to € 19.1 million were booked in North America and South America: we were able to exceed the previous year's volume noticeably (€ 11.8 million) in this region during the second half of the year, as a result.

2.2 REVENUES

Slight increase in turnover

The business volume was slightly raised to € 149.0 million during the business year of 2004, compared with the revenues of € 146.9 million that STEAG HamaTech had reported for the previous year's period. The business volume was increased slightly to € 132.2 million during 2004 in the main segment of Optical Discs, compared with € 131.7 million during the previous year. The business segment of Advanced Process Equipment improved the revenues to € 16.8 million during 2004 compared with € 15.2 million during 2003.

STEAG HamaTech obtained about 90 % of its total business volume from the export business. Asia was the most important region with a share of 58 % of the turnover; as it had been during the previous year. About 34 % of total turnover came from the Indian and Chinese markets within this region. The share of the turnover that was achieved by European markets remained almost unchanged at 33 % (34 % for 2003). The share of turnover from North America lay slightly below the level of 2003 (6 %) at 5 % of total turnover.

2.3 ORDER BACKLOG

STEAG HamaTech's backlog of orders was € 53.9 million at the end of reporting year and about 16 % below the previous year's level as a result (€ 63.8 million for 2003).

Micro-electronics are so widespread because the production of processors has become affordable. Economic solutions from STEAG HamaTech make a decisive contribution to this. The continual reduction in size of electronic components sometimes makes our day-to-day life a little nicer.

About 70 % of the orders originate from the recordable CD-R and DVD/R formats, a further 13 % come from the DVD format, whereas 11 % of the orders were given to the Advanced Process Equipment business segment. The spread of orders was four months on the reporting date, compared with five months on the same date in the previous year.

3. NET WORTH POSITION, FINANCIAL POSITION AND PROFIT SITUATION

3.1 PROFIT SITUATION

Investments in research and development have increased

The gross profit from business volume fell during the reporting year to € 25.5 million on account of weaknesses on the market in the recordable area and the concomitant pressure on prices, compared with the € 27.7 million during 2003. The expenses of € 11.3 million for research and development during 2004 were noticeably above the previous year's level (€ 8.5 million). This noticeable rise was caused by new developments of products for the DVD/R and DVD formats, as well as by the completion and market launch of the new equipment platform in the segment of Advanced Process Equipment. The expenses for administration and sales rose negligibly to € 13.5 million compared with the previous year (€ 13.0 million). The strengthened activities for marketing of the equipment are reflected in that figure.

Earnings before interest and tax (EBIT) of € 0.9 million in the business year of 2004 lay noticeably below the previous year's value of € 6.3 million. The main reasons for this are the declining gross margin and the increased expenses for research and development in particular. Earnings before tax (EBT) reached € 1.2 million during the reporting period, compared with € 6.3 million during the previous year's period.

The Optical Disc segment booked a slight loss amounting to € 0.6 million as the result before taxes in 2004; a profit of € 4.7 million before taxes had been achieved during the previous year. A result of € 1.8 million before taxes was gained in the Advanced Process Equipment segment, compared with € 1.6 million during the previous year. The clearly increased expenses for research and development prevented the result from rising, despite the increased turnover in this business segment.

Tax expenditures totalling € 4.4 million contains a partial write-off amounting to € 4.0 million for the item of 'latent taxes on assets'. This partial write-off has been required on account of the weaker development of profits during 2004.

A deficit amounting to € 3.2 million was produced for the result before taxes, which corresponds to a loss of € 0.11 per share. On the other hand, a profit amounting to

€ 3.6 million had been gained during the previous year.
The profit per share totalled € 0.12 in 2003.

3.2 NET WORTH AND FINANCIAL POSITION

Significant reduction of stocks on hand

The balance sheet's total as of December 31, 2004 sank to € 118.7 million compared with the previous year (€ 133.6 million on December 31, 2003) because the current assets were reduced to € 77.7 million compared with € 92.4 million in 2003. This decline has definitively been reached by reducing the stocks on hand, which were € 10.7 million less than on the last reporting date. This reduction of the inventory is very encouraging, especially against the background of weakness in the market for the recordable sector. The fixed assets were reduced negligibly by € 0.2 million to € 19.8 million on December 31, 2004, compared with the previous year.

Unchanged strong base of equity capital

Concerning the liabilities, the negative results for the year led to the equity capital being reduced by € 3.0 million. Nevertheless, the quota of equity capital rose to 72 % (69 % on December 31, 2003) on account of the declining balance sheet's total and it thus expresses STEAG HamaTech's unchanged, strong base of equity capital. The financial liabilities were reduced by € 6.3 million to € 0.3 million during the business year of 2004. Accounts payable for supplies and services had reached a value of € 11.4 million on December 31, 2004, which corresponds to a reduction amounting to € 5.1 million compared with the previous year. The accruals were reduced by € 0.3 million to € 5.8 million during the reporting period.

Cash-flow significantly improved

The cash-flow of € 10.6 million from current business activity had a noticeably positive value for the reporting period (- € 2.5 million for the previous year). This result was achieved primarily by means of consistently reducing stocks. The Group's restrictive investment policy continued to be reflected in the cash-flow from investment activity. The expenses for investments amounted to € 4.3 million during the reporting year compared with € 3.2 million during the previous year. The reduction of financial liabilities by € 6.3 million is expressed in the cash-flow from financial activity: the value was € 4.0 million for the previous year.

The liquid funds held amounted to € 0.8 million on the reporting date (€ 0.9 million for the previous year). The position of net liquidity as the balance between liquid funds and financial liabilities was improved by € 6.2 million to € 0.5 million, while -€ 5.7 million had been reported on the previous reporting date.

All different types of hardware and a large number of formats require a high degree of flexibility from production plant for recordable optical media. STEAG HamaTech is making a contribution to supply an increasing number of computer users with perfect discs.

4. REPORT FROM THE DIVISIONS

4.1 RECORDABLE

The technological development of DVD/R progressed at a rapid pace during 2004. Whereas DVD/R discs with recording speeds of 4x represented the latest state of technological development at the beginning of the year, some of our customers were already producing DVD/Rs with writing speeds of 16x only 8 months later. This maximum recording speed from the present aspect (which corresponds to a linear speed of the recording-scanning head of over 200 km/h) places extremely high demands on the disc's mechanical tolerances. The close tolerances can only be maintained by means of improved methods when guiding the process and also by means of new innovations for joining both of the side's halves mechanically (known as "bonding"). Besides the quality, the equipment's productivity is also decisive for our clients, on account of the ongoing price decline. The "3503" equipment platform has been continuously optimized during the course of 2004 and it was adapted to the growing technological demands while doing so. A cycle time of 3.3 seconds with only 2 injection-moulding machines had already been reached during the middle of 2004. This success early has been achieved by our Equipment Qualification Centre in Sternenfels, where a DVD/R unit is being operated for 24 hours a day and 5 days a week without a break. Developments – which in this form would only have been possible if they had taken place on the customer's premises otherwise – can be tested and optimized under the real conditions of mass production because of that. It has to be assumed that the cycle times will sink to under 2.5 seconds during the current year. The new "TAURUS" concept has been developed in order to cope with this challenge.

Systems satisfy the highest technological requirements

Concerning the technology, the former "DVD-R 3503" equipment has proven itself for manufacturing the most sensitive products: namely, DVD/R with 16x recording speed. However, the cycle time of about 3.3 seconds is bordering on the limits of its capability. The top priority objectives for developing "TAURUS" were therefore the significant increase of the productivity and the development of a modular concept in order to also ensure the future security for new formats in the Recordable sector. The result is a new type of equipment that has been presented to key customers successfully in the meantime. It can be configured down to a cycle time of 2.0 seconds and will thus produce more than 28,000 DVD/R-discs in 24 hours.

Important innovations for achieving these objectives were a new cooling concept and improved intermediate buffering of the disc in the production line as well as the use of new dual-cathode metallizers and an efficient bonder. Important, individual steps are still being developed for the future formats of recordable HD-DVD and Blu-ray.

The standards for HD-DVD and Blu-ray have been set

This affects both the recording layer and the Blu-ray's new cover layer which is 0.1 mm thick. We have pointed the way ahead by our "TAURUS" concept, in order to develop and successfully integrate these processing stages for both of these topics during 2004. We are confidently looking forward to the introduction of these new formats.

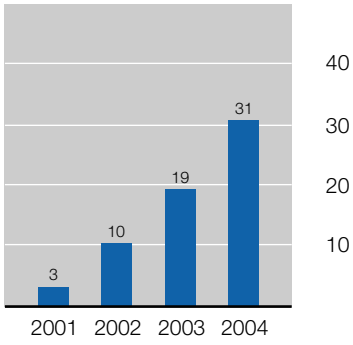
STEAG HamaTech has developed itself into a competent contact for its clients concerning processing technology and process control, besides its role as a supplier of mechanical technology. STEAG HamaTech is thus following the objective of creating decisive competitive advantages for its customers by means of giving them targeted support and conveying the processing knowledge to them. The seminars that are held for customers and potential customers have therefore been extended during 2004; a large number of seminars are covering all of the sales territories in the meantime. Over 300 participants were able to be informed about the state of current DVD/R technology at five events which were held in China, Taiwan, Singapore, Russia and Dubai.

Worldwide "Technical Centres" allow for optimal customer support

Additional "Technical Centres" have been set up at Shantou (China) and Dubai (United Arab Emirates) within the regions of growth, in order to provide optimal customer support. Their task is to coordinate the local service engineers, to supply spare parts and to train the customers in their respectively native languages. The proximity to customers has been noticeably improved by establishing these "Technical Centres". STEAG HamaTech is thus creating the best prerequisites for future expansion within these regions of growth.

Concerning the CD-R format, STEAG HamaTech has succeeded with continuing to optimize the performance and reliability of the current platform of products during 2004. The "CD-R 3503" system is the clear market-leader in equipment for manufacturing recordable CDs, as was its preceding model. This equipment is continuing to set the industry's standard: not only regarding the amount of production but also concerning the costs of production per disc.

Spread of the customer base
(Average number of customers)



4.2 PRE-RECORDED

STEAG HamaTech was able to achieve an even better allocation of resources and focussing, by means of splitting the Optical Disc business segment into both the Recordable and Pre-recorded divisions during 2003. The Pre-recorded division thus achieved a noticeable spread of the customer base for the second consecutive year in 2004. Its position was noticeably strengthened in the markets of South America and the Middle East. Furthermore, a large number of strategically important orders have been gained from Russia. The noticeable increases of market shares in these three important markets have placed STEAG HamaTech in a good starting position in order

to hold the leading position within these regions of growth in future and to profit from the above average growth there.

The marketing of a further generation of the ”DVD 2200“ platform of equipment that is well known already – the ”DVD 2200IV“ – was the main focus of the division, within the scope of a large number of marketing activities. This version has been further optimized compared with its predecessors: its well-known high performance and reliability are convincing; coupled with small dimensions and an outstanding accessibility to the components, as well as an appealing design.

PEGASUS sets new benchmarks

The development of the new ”PEGASUS“ generation for manufacturing Pre-recorded DVDs was the main focus of research and development activities during the reporting year. ”PEGASUS“ meets all of the market’s demand: it is quick, reliable, small, economical and future-proven for new formats. More than 30 technical innovations have been incorporated into developing the new concept and they form the basis for equipment to set the standards in future, as the industry's benchmark for producing pre-recorded DVDs.

The ”PEGASUS“ concept allows our customers a very flexible use and to change between the formats of DVD-5, DVD-9 or HD-DVD quickly. ”PEGASUS“ offers a further optimized processing guidance that offers the opportunity to produce HD-DVDs and it meets the future requirements too. The concept’s modularity will also allow the modifications for Blu-ray discs, as soon as the requisite standards for this process have been decided and the preferred technology is stipulated. The developmental preparations for this purpose are well under way already. The important cooling phase for the current formats of discs – after they have been removed from the injection-moulding machine – will become increasingly critical for new formats on account of close, mechanical tolerances. An innovative, newly developed cooling system has been chosen for ”PEGASUS“, by which the discs lie on a cooling air-stream without contact, instead of having to lie on the belt. Substantially increased efficiency is the result of this very critical process to exploit the entire installation.

PEGASUS
The most economic DVD Inline system in the world

The completely new, dual-cathode metallizer is one of the technical highlights: it applies not only the fully reflective but also semi-transparent coating onto the Pre-recorded disc in the ”PEGASUS“ system. The technical data and productivity criteria of cathodes that were newly developed during 2004 for precipitating these coatings, have proved to be extremely competitive vis-à-vis the products that are made by the sector’s established leaders. High-quality servo motors are used in all of critical stages of the process, in order to optimize the system’s reliability further.

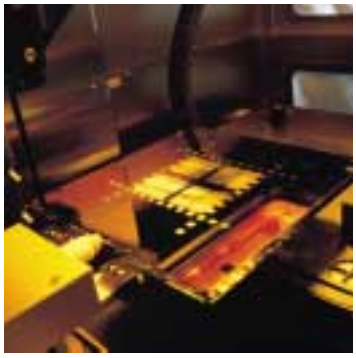
The equipment's standing surface of 17 square metres offers a daily production capacity of 37,000 DVDs overall; which is an unparalleled performance in the industry so far.

Various technological seminars have been held during 2004 as in the previous year, in order to develop new contacts with customers and to consolidate existing ones. Seminars for customers in Russia and Dubai yielded a particularly positive feedback. Such events form an outstanding platform in order to present STEAG HamaTech's extensive experience and expertise to an interested audience of specialists. The lectures that were given by invited speakers complemented the agenda at these events.

4.3 ADVANCED PROCESS EQUIPMENT (APE)

The demand for photomasking equipment accelerated significantly

The market for manufacturing photomasks continued to remain the basis for technological positioning - as well as for business volume and revenue – within the APE segment. STEAG HamaTech's position has been further strengthened worldwide during 2004 by means of closely cooperative agreements with leading customers. The demand for equipment to manufacture the photomasks and the intake of new orders increased noticeably during the second half of the year: they were particularly driven by the challenging, technological requirements. This situation – against the background of continually smaller components – especially affects the area of cleaning, as one of the critical steps for the years to come. STEAG HamaTech has therefore started two developmental projects by cooperating with prestigious partners on the basis of really new concepts during the reporting year: with the objective of completely freeing the photomasks from particles of up to 30 nanometres in size by 2007. The consistent development of appropriate technologies until they are ready for the market offers STEAG HamaTech the opportunity of further developing its own leading role in the area of photomasks and of additionally transferring such technologies to other fields of application during the medium term.



MaskTrack
Equipment for photomask manufacturing

The developments for applications for wafer processing have been completed

Development of the ”ModuTrack“ platform for applications concerning the processing of wafers was largely completed during the business year. The work on these applications has been intensified in the USA, with the objective of reliably and economically applying resistant coatings of up to 100 microns thick. Specific requirements for packaging in the back-end market demand concentration on specific development work. In future, this work will be done close to the applications within the USA, too, although the marketing strategy is strongly orientated to markets in the Far East.

The equipment platform and the ”ModuTrack“ installation's corresponding portfolio of technology offer the opportunity for them to be used in varied niche markets. The first orders for MEMS (micro-electro mechanical systems) and the direct-writing lithography process were able to be gained in Europe.

Sensors remind us, warn us and protect us – amongst other things when they trigger off the release of an airbag. STEAG HamaTech supplies high tech solutions for the production of MEMS for example, and these make a contribution to economic manufacture for the mass market. Car drivers all round the world benefit from reliable systems.

4.4 MEASUREMENT SYSTEMS OF THE SUBSIDIARY STEAG ETA-OPTIK

Growth of previous years continued

Despite the sudden market downturn for the Optical Disc industry in the second half of the year, STEAG ETA-Optik managed to continue the very positive business trend of the past. Developments over recent years give STEAG ETA-Optik a good starting position for 2005.

The pillars of business success were the segments of inline scanners and offline testers from the Optical Disc division, which accounted for the main part (more than 90 %) of total business volume. The most strongly growing segment was however that of non-optical discs with a growth rate of more than 15 %. This field is being progressively expanded as part of our consistent diversification strategy and presents substantial growth potential for the future.

The market entry with the first products for measurement of films and coatings for flat screens was very promising. Here the first inline-based installations for spectral transmission measurements and coat-thickness measurements of polarisation films were successfully completed. In addition, a number of offline appliances were supplied to the industry and to research institutes.

In the Optical Disc division, and in particular the rewritable media segment, the level of new investment declined substantially. Here STEAG ETA-Optik has now fully caught up on the technological lead of the market-dominating Japanese supplier and, for a number of potential customers, is already qualified for the new fast formats. Since the fourth quarter of 2004 preparations for new installations have increasingly been observed, which inspires confidence for the current financial year.

New testers presented

In the field of offline measurement appliances, a new physical tester was presented in November at the Replication Expo trade fair in China. ”ETA-ODT“ comprises the unique features of ”ETA-RT“, which is now established in all research facilities and a large number of production sites, but has been more specifically tailored for the production area. At the Media-Tech trade fair in Frankfurt in May, the subsidiary had already presented ”ETA-RT/UV“, an offline tester with an extended spectral area. This appliance is required for the development of new dye types with regard to the future format of Blu-ray recordable and, like ”ETA-RT/DL“ which was developed for the new DVD+R Dual Layer format, has already contributed to sales in 2004.

In the inline business, scanners have been equipped with a number of new measurement channels. In addition, fundamentally revised software was developed which is now in general use. Process control for dye coating is prepared for multi-dimension control. Initial tests were conducted in production plants in January 2005.

5. INVESTMENT

In the financial year 2004 the level of investment was adjusted in line with the difficult fundamental conditions, particularly in the second half of the year. Investment in the year under review totalled € 4.3 million compared with € 3.3 million in the prior year. The 2003 figure comprises € 1.4 million for acquisition of the remaining shares in the subsidiary STEAG ETA-Optik. Capital expenditure in 2004 related primarily to purchases of hardware, software and analysis appliances for research and development purposes.

6. RESEARCH AND DEVELOPMENT

Investment in market-driven solutions

In the financial year 2004, research and development in the Optical Disc business segment focussed on further optimisation of established product lines of manufacturing equipment for recordable and pre-recorded media and expansion of activities in the field of complex process technology for production of these media. A combination of confidently mastered plant engineering and technological leadership in high-productivity application of the necessary process technology is essential to secure and expand our market position with the objective of offering our customers the optimum solution in terms of technology and cost-effectiveness. Here STEAG HamaTech enjoys a competitive advantage because of the close link between various engineering and process-technology disciplines on the basis of international cooperation agreements with various corporate partners. This facilitates fast and efficient development cycles and minimises the technological risks resulting from the continuing dynamic developments in the Optical Disc field. In 2004, key development measures were taken for new equipment generations in the pre-recorded and recordable fields which will be launched in 2005 and allow the production of optical storage media in accordance with the new formats with even greater storage capacity.

Development of process technology to manufacture fast recordable DVD/Rs with 16-fold speed was successfully completed and implemented for the current generation of "DVD-R 3503". For this purpose, the necessary process materials of various partner companies were successfully qualified at the "Equipment Qualification Centre" (EQC) under real production conditions. The mature DVD/R format has therefore achieved maximum write and read speed, so further development activity can be concentrated on the successor formats HD-DVD and Blu-ray Disc. The technologies for production of dual layer recordable media are also available although these formats have not so far become established in the mass market.

In development of the modules required in every system for application of metallic and inorganic coats for optical storage media (metallizers), substantial progress has been

made through the use of computer-aided numeric methods for process simulation. Model-based simulation followed by verification of the individual physical processes has significantly increased the exploitation and quality of deposition processes and therefore allowed our customers' current processing costs to be reduced. The performance of metallizers has been substantially enhanced through this refinement. These modules will be available in the new generations for all applications from 2005. Model-based process simulations will in the future also be used for other process steps such as dye-coating in order to expand our development competence and technological leadership in the field of process technology.

Automation technology improved fundamentally

Automation and control technology for production equipment in the Optical Disc field was also fundamentally improved and expanded in 2004. Software for plant control was for example fundamentally redesigned on a modular basis. This will in the future allow reuse of software modules in new expanded plants, resulting in shorter development times with increased quality and operating reliability and reduced maintenance costs. The operator surface of equipment has also been converted to a software platform with a long-term future, which enhances the productivity of equipment through improved operability and functionality. Through the combined effect of mechanics, drive/sensor technology and modular software architecture, the requirements of process technology can thus in the future be translated faster and more effectively into innovative production equipment for optical data media.

Research and development for the APE segment concentrates on wafer applications

The key areas of focus of research and development in the field of Advanced Process Equipment have been defined in accordance with the product portfolio. The main area of attention in the field of wafer technology in 2004 was realisation of the new modular "ModuTrack" machine concept which allows a large number of possible process configurations. This provides the basis for effective implementation of customer requirements in the segments of chip packaging, MEMS and telecommunications.

Development work in the photomask field especially for cleaning equipment

In the Advanced Process Equipment segment the focus continues to be on technological development. For the photomask division this development is targeted not only at further optimisation of lacquering and developer technology as well as heating technology but also above all at cleaning technology. This has traditionally been one of the core areas of competence of STEAG HamaTech. Because of the extremely demanding new requirements with regard to the smallest contamination parameters of 30 nanometres, future development work will be even more strongly oriented towards cooperation agreements since individual market players cannot handle such complex tasks alone. Only major semiconductor or mask manufacturers of a certain critical size have the necessary sensitive equipment to carry out target-oriented development work successfully. In the USA in particular STEAG HamaTech therefore entered into cooperation agreements which allow successful development management across company

boundaries. From this collaboration we expect results which will ensure our competitive success in the years ahead.

Another area of development focus in the future will be the new processes, already partly patented, for application of resistant coating up to 100 micrometres thick, which is used in particular in wafer processing. For these applications as well STEAG HamaTech has already started to develop relevant technology to give it a competitive advantage. The new coating technology will in particular serve to achieve material savings in coating and therefore be of particular advantage in the cost-sensitive area of advanced packaging in chip production. The focus of research and development will therefore be strongly concentrated on development of unique features and management of intellectual property in order to survive in very competitive markets.

7. EMPLOYEES

Compared with the prior year the average number of employees in the year under review fell to 294 (2003: 299 employees). On the balance sheet date STEAG HamaTech AG employed 284 people compared with 291 on the balance sheet date in the prior year.

Continuing price pressure in the year under review demanded constant monitoring of costs and therefore personnel structures. Continuous improvement of internal operating efficiency was therefore a key consideration, with progressive relocation of labour-intensive production processes to the Slovakian sister company STEAG Electronic Systems spol. s.r.o. in Nové Mesto playing an important role.

The proportion of staff in the development sector has increased

Developments in the number of employees in the Operations area show particularly clearly how comprehensively processes and procedures were scrutinised in the year under review. While the company employed 124 people in this area as at 31.12.2003, the number had fallen to 90 as at 31.12.2004. In contrast, resources in development were further increased. The number of employees in this area rose by 9 to 93 in the year under review. It now accounts for one third of the total workforce.

This transition to a technology-driven enterprise involves constantly growing demands on the employees of STEAG HamaTech because know-how and performance above all are elementary requirements for development, production and marketing of equipment at the Sternenfels facility. We have therefore devoted corresponding attention to the subject of employee development in the past financial year. These efforts will be continued with increasing intensity in the years ahead.
The objective is not only to accompany the business transition by constant development

of employees but to manage it proactively through the participation of as many employees as possible.

In addition to further education of our employees, we take the subject of initial vocational education seriously and therefore live up to our social responsibility. As at the balance sheet date STEAG HamaTech employed 17 trainees, so the trainee ratio is over 5%.

In October 2004 STEAG HamaTech established an employee suggestion scheme through which, over the remaining months, a large number of improvement suggestions have already been received. Active participation of employees in the efficiency improvement process can again be expected in 2005.

8. RISK MANAGEMENT

Because of its worldwide operations and rapid changes in its business environment in terms of technology, the market and competition, STEAG HamaTech is by nature exposed to many risks which are inseparably linked to its entrepreneurial activity. The aim of the company's risk policy is to make optimum use of existing opportunities and to enter into the risks associated with our business operations only if appropriate value added can thereby be created. Risk management is therefore an integral component of our business processes and entrepreneurial decisions.

Key principles, functions and reporting processes are defined in a Risk Manual. For continuous assessment, control and management of risks, STEAG HamaTech uses in addition to risk stock-taking a cross-divisional monthly reporting system about relevant individual risks, comprising occurrence probabilities and damage quantification as well as necessary countermeasures. These reports are produced by the business units with the objective of notifying substantial risks to management at an early stage so that appropriate measures can be initiated. This also applies to identification and realisation of potential opportunities. Opportunity and risk reports are used by management as the basis for decisions in addition to market and competition analyses.

Effective risk management makes a decisive contribution to the exploitation of competitive advantages and in addition helps to detect in good time situations which could threaten the company's continued existence so that suitable countermeasures can be taken. With this objective in mind, STEAG has identified and defined a number of early-warning indicators, with the help of which early detection of risks and opportunities is ensured. Many measures to minimise risks have already been implemented. Attention here is focused particularly by STEAG HamaTech on risks which are typical of the technology sector:

Perfection and precision. The experience and innovative clout of STEAG HamaTech guarantees top-quality with extremely economic production – e.g. of audio CDs. Music lovers throughout the whole world can enjoy their personal taste in music.

BUSINESS AND SALES RISKS

Risk management helps to better realize potentials

The worldwide markets for our products are characterised by tough competition. This applies to prices, product and service quality, development and launch times, service functions and financing conditions. STEAG HamaTech is confronted by strong price competition in all its divisions. In addition, there is a risk of severe market or growth downturns, particularly in the Optical Disc market, which is subject to substantial fluctuations. The continuously growing intensity of competition is countered by STEAG HamaTech through innovative new developments, sensible location strategies and stringent cost management in order not only to protect our market position but to achieve further expansion in the medium term.

In the financial year 2004 one customer accounted for a 17 % share of total sales while another customer accounted for 7 % each; no other customer accounted for a share in excess of 7 %. The company has in the past already taken measures to consistently reduce its dependence on large customers. These include above all the considerable progress made in the financial year 2004 in broadening our customer basis.

COUNTRY RISKS

Spread the risks to keep them to a minimum

STEAG HamaTech markets its products in almost every region in the world. Markets are therefore to be found whose country risk is particularly pronounced because of economic or political aspects. When these risks actually materialise in individual countries, either through economic or political developments, this has a direct impact on the sales of STEAG HamaTech. The company is working towards continuous expansion of the customer – and therefore market – base so that dependence on individual markets and/or countries is kept within bounds.

PRICE CHANGE RISKS

The markets of STEAG HamaTech are often subject to strong fluctuations in the selling prices of its products. In the Optical Disc segment in particular, selling prices have fallen by an annual average of more than 10 % in recent years; in some years the price decline has been as much as 30 %. Equipment selling prices are largely determined by the intensity of competition. In times of weak demand, selling prices generally come under pressure – with no subsequent rise. In 2004, competitors from South East Asia appeared stronger for the first time. It is to be expected that additional pressure on prices will result. The perceived poor quality is rejected by many customers. Particularly in the case of small and medium-sized manufacturers, however, marked price differences mean that they decide in favour of such products. We will observe the new competitors very closely and develop new strategies to counter them.

New strategies to counter competition

In its plans for the future STEAG HamaTech already assumes a decline in selling prices. This is based on developments in the past. STEAG HamaTech is working to achieve stronger technological differentiation through new products in order to avoid to some extent the general price pressure in the industry.

TECHNOLOGY AND DEVELOPMENT RISKS

The market for the Group's products is characterised by rapid technological change, movements in customer needs, continuous new product launches, steady development of new product standards and short product lifecycles. Through the introduction of new products by the company or its competitors and through new product standards, existing products can become obsolete and unsaleable.

Rapid response to technological developments

The future success of STEAG HamaTech will be determined by the ability to develop and launch new and improved products quickly and continuously, to keep abreast with technological developments, to comply with new product standards and to meet the steadily growing demands of customers. Organisational structures are targeted at early recognition of technological and product-related developments. Interdisciplinary teams have the task of ensuring consistent implementation of product strategy. This requires a strong market presence and close customer proximity with the ability to build up long-term business relationships and react quickly.

CREDIT RISKS

In the course of its normal business operations STEAG HamaTech is exposed to credit risks since various forms of direct or indirect funding are offered to customers. Through collaboration with banks and financing companies a portfolio of financing models has been created with the primary aim of minimising risk for STEAG HamaTech. In addition to the special risks of project funding, general credit risks can also arise, for example through delayed payments by customers or difficulty in collecting receivables. An effective approval and monitoring process has been established to control and manage the credit portfolio.

FINANCIAL RISK MANAGEMENT

As an internationally active company STEAG HamaTech AG is generally exposed to the risk of exchange-rate, price and interest-rate fluctuations. A key objective of corporate policy is to limit financial risks both to the value of the company and to its earning power through systematic risk management. Action frameworks, responsibilities and controls are set out in binding internal directives. Central liquidity management ensures that the necessary funds are available at the right time to finance business operations

New generations of software for applications in all aspects of life appear at ever shorter intervals of time. Therefore the technology for manufacturing optical media has to be ready to change its production methods all the time. Research and development at STEAG HamaTech ensure that products are fit for the market.

and ongoing investment. This does not mean that financial risks are completely excluded, but they are managed within specified limits in order to avoid negative cash-flow and earnings fluctuations for the company as far as possible without completely ignoring the opportunities presented by market developments

In order to reduce these risks, hedging transactions are entered into and derivative financial instruments are also used, particularly currency forwards. Derivative financial instruments cannot be used for speculative purposes but serve exclusively to hedge risks in connection with business operations.

With regard to the negative currency developments described in paragraph 1, the possibilities for STEAG HamaTech to carry out currency hedging are limited. More than 90 % of sales are billed in euros; for only around 5-7 % of business transactions made in a foreign currency, primarily the US dollar, can currency hedging take place. Sales billed in euros are negatively affected by a stronger euro since the main competitors are largely based in Japan and therefore profit in direct price comparison from the devaluation of the yen compared with the euro. STEAG HamaTech is working towards procurement of parts and components from regions outside the eurozone in order to achieve a steady reduction in its dependence on the euro exchange rate against other important world currencies.

INSURED RISKS

The risk of financial loss through catastrophes, disasters and similar events is as far as possible covered by insurance. Insurance policies also exist to cover losses as the result of product liability and other third-party liability. Not all risks inherent in business operations can be covered to insurance, however.

9. OUTLOOK

Market analysts expect medium term growth

The manufacturers of optical storage media were confronted by a difficult situation in the past fiscal year with an increase in material prices on the one hand and overcapacity on the other. This inevitably meant that investment in new orders has been lower and capacity expansion is being deferred because of lack of sales opportunities for many manufacturers. Market analysts nevertheless expect that the overall market for equipment for production of optical storage media will show moderate growth in the medium term although developments will vary in the individual divisions of optical storage media.

The sector also suffers from lack of clarification about which of the new formats – HD-DVD or Blu-ray – will in the end win the upper hand. In consequence, equipment

manufacturers like STEAG HamaTech must spread their resources across both variants and therefore incur additional research and development costs.

The margin pressure on media manufacturers is leading to further consolidation in our circle of customers, with our European customers in a particularly difficult situation. A further shift in the market for Optical Disc equipment to countries outside Europe is unavoidable. For STEAG HamaTech the critical factor is to be well positioned, as before, with the large manufacturers which have the resources for further investment at their disposal.

Positive customer reaction to the new product generations

The main sales generator for STEAG HamaTech in 2005 will again be the DVD/R format although, with still insufficient new orders, sales in the first half of the year will be supported by equipment upgrades from CD-R to DVD/R. The initial feedback from some customers about the new "TAURUS" product generation makes us confident that we will strengthen our position even further in this toughly fought market in 2005. We are focussing particular attention on ensuring that we are successful in doing so with the technologically leading customers in the sector. The fall in prices for equipment for production of recordable DVDs is likely to continue in 2005. STEAG HamaTech plans to counter this through much higher equipment performance.

Requirements for CD-Rs will in the opinion of market researchers continue to increase slightly worldwide in 2005 although, apart from individual cases in the new regions, the equipment market will be decisively characterised by replacement investment.

For the DVD format, STEAG HamaTech will also reinforce its claim to technological leadership through the launch of the new development "PEGASUS". The new equipment generation aims to guarantee maximum output within a small space and with high reliability. Compared with the main competitors the new equipment will have a performance lead of more than 10 %. With the help of this new product generation STEAG HamaTech will demonstrate the future viability of HD-DVD and continue to press ahead in 2005 with consistent expansion of our customer base as a top priority.

Demand for CD-Audio/ROMs stagnated in 2004 at a high level while demand for corresponding equipment was already in marked decline – and will continue to decline in 2005. Competition in this market is correspondingly tough; STEAG HamaTech does not plan to expand its market share.

All in all, the market analysts assume that demand will be weak in the worldwide market for semiconductor equipment although above-average growth is forecast for certain segments.

Competence in the APE sector for specialised markets

The Advanced Process Equipment segment continues to target high-growth niche markets. In the area of photomask production, demand is driven by innovation, particularly the trend towards smaller structures. STEAG HamaTech has correspondingly oriented its process development and focus on key customers. In the packaging area we also expect additional demand for equipment since the techniques previously used do not permit further miniaturisation of packaging. The wide variety of possibilities in the segmented markets demands an adjustment of the organisation to deal with the market segments. The Sternenfels facility with the basic and equipment research platform will in the future emerge as the competence centre for applications, particularly for MEMS and niche products, while in the USA we will focus on semiconductor manufacturers and standardised products. The APE area therefore plays an important role in the diversification of STEAG HamaTech. Although the individual market segments allow only average volume to be expected, they represent considerable potential for growth and sustained profitability for our company.

The measures already initiated to adjust capacity and reduce costs at the Sternenfels facility will continue to be rigorously implemented in order to achieve a lasting improvement in the company's profitability in 2005 under the given underlying conditions.

CONSOLIDATED FINANCIAL STATEMENTS

OF STEAG HAMATECH AG (IFRS)

STEAG HamaTech AG

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND 2003 (IFRS)

ASSETS	Note	31.12.2004 T€	31.12.2003 T€
Fixed assets and other non-current assets			
Intangible assets	3.1	5.659	5.287
Property, plant and equipment	3.2	14.189	14.717
		19.848	**20.004**
Trade accounts receivable	3.3	4.018	508
Other receivables	3.4	1.636	1.033
		25.502	**21.545**
Current assets			
Cash and cash equivalents	3.5	842	904
Trade accounts receivable	3.6	18.777	19.548
Inventories	3.7	55.823	66.497
Other receivables	3.8	2.226	5.457
		77.668	**92.406**
Deferred tax assets	**3.21**	**15.489**	**19.613**
Total assets		**118.659**	**133.564**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2004 T€	31.12.2003 T€
Shareholders' equity			
Share capital	3.10	30.000	30.000
Additional paid-in capital		87.399	87.245
Accumulated deficit		-35.558	-32.389
Reserve for changes in shareholders' equity not affecting income		3.732	3.762
		85.573	**88.618**
Non-current liabilities			
Pension reserves and reserves for similar obligations	3.11	225	149
Other provisions	3.12	216	0
Deferred tax liabilities	3.21	234	0
Trade accounts payable		358	0
Liabilities from capital lease agreements	4.2	1.366	1.416
		2.399	**1.565**
Current liabilities			
Liabilities due to banks	3.13	315	6.612
Trade accounts payable		11.425	16.508
Advance payments received from customers		10.613	10.984
Liabilities due to affiliated companies		206	462
Accrued taxes		483	483
Other reserves and accrued liabilities	3.12	5.763	6.104
Deferred income		46	75
Liabilities from capital lease agreements	4.2	98	86
Other liabilities	3.14	1.738	2.067
		30.687	**43.381**
Total liabilities and shareholders' equity		**118.659**	**133.564**

STEAG HAMATECH AG

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 2004 AND 2003 (IFRS)

	Note	2004 T€	2003 T€
Sales (gross)		**149.041**	**146.896**
Direct selling costs	3.15	-3.621	-11.270
Sales (net)		**145.420**	**135.626**
Cost of sales	3.16	-119.908	-107.885
Gross profit		**25.512**	**27.741**
Research and development costs		-11.304	-8.517
Administrative costs		-7.388	-7.726
Selling costs		-6.059	-5.150
Other income	3.18	2.697	2.050
Other expenses	3.19	-2.529	-1.806
Earnings before interest and tax (EBIT)		**929**	**6.592**
Interest income	3.20	1.053	228
Interest expenses	3.20	-789	-493
Earnings before tax (EBT)		**1.193**	**6.327**
Income taxes	3.21	-4.362	-2.687
Net loss (prior year: net profit)		**-3.169**	**3.640**

Earnings per share	**€**	**€**
Undiluted earnings per share	-0,11	0,12
Diluted earnings per share	-0,11	0,12

In fiscal year 2004 there were no diluting effects on earnings per share.

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

STEAG HAMATECH AG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS 2004 AND 2003 (IFRS)

	Share capital T€	Additional paid-in capital T€	Accu-mulated deficit T€	Reserve for changes in shareholders' equity not affecting income Translation differences T€	Total T€
As of January 1, 2003	**30.000**	**87.095**	**-36.029**	**4.019**	**85.085**
Net income for the year 2003			3.640		3.640
Valuation of employee stock option rights		150			150
Differences from foreign currency translation				-257	-257
As of December 31, 2003	**30.000**	**87.245**	**-32.389**	**3.762**	**88.618**
Net loss for the year 2004			-3.169		-3.169
Valuation of employee stock option rights		154			154
Differences from foreign currency translation				-30	-30
As of December 31, 2004	**30.000**	**87.399**	**-35.558**	**3.732**	**85.573**

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

STEAG HAMATECH AG

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEARS 2004 AND 2003 (IFRS)

	2004 T€	2003 T€
1. Cashflows from operating activities		
Net result	-3.169	3.640
Amortization and depreciation	4.450	3.506
Other non-cash expenses / income	7.554	4.418
	8.835	11.564
Net gains / losses on disposal of fixed assets	31	23
Other non-current assets	-5.124	2.194
Trade accounts receivable	1.190	-6.584
Inventories	9.027	-12.992
Prepaid expenses and other assets	2.496	-1.150
Trade accounts payable	-4.728	6.486
Payables due to affiliated companies	-192	969
Advance payments received from customers	-423	-4.927
Provisions	-94	1.620
Deferred income and other liabilities	-394	305
	10.624	**-2.492**
2. Cashflow used for capital expenditures and investing activities		
Purchase of intangible assets and property, plant and equipment	-4.329	-1.933
Purchase of shares in affiliated companies	0	-1.376
Proceeds from the disposal of fixed assets	0	52
	-4.329	**-3.257**
3. Cashflow used for (prior year: provided from) financing activities		
Raised current liabilities due to banks	6.612	0
Repayment of current liabilities due to banks	-12.909	4.020
	-6.297	**4.020**
Movement in cash and cash equivalents	**-2**	**-1.729**
Effect of foreign exchange rate changes on cash and cash equivalents	-60	-244
Cash and cash equivalents at the beginning of the year	904	2.877
Cash and cash equivalents as of December 31	842	904

Additional information regarding Cashflow:	2004 T€	2003 T€
Interest payments received	1.053	228
Interest paid	-789	-493
Income taxes paid	-3	-15
Income taxes refunded	0	891

The reconciliation of Cashflows in accordance with US-GAAP and Cashflows in accordance with IFRS in fiscal year 2003 contains the following items:

	2003 T€
Net result	323
Amortization and depreciation	1.333
Differences regarding non-cash income / expenses due to accounting for stock options and additions to pension reserves	-473
Cash used for capital expenditures in intangible assets due to capitalization of development costs	-1.196
Other	13
	0

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2004 (IFRS)

1. GENERAL INFORMATION

The business activities of STEAG HamaTech Aktiengesellschaft, Sternenfels/Germany, include research and development, industrial manufacture and supply of machines, machine components and equipment mainly for the optical disc and semiconductor industry. STEAG HamaTech is active in two segments. In the larger segment, Optical Disc, STEAG HamaTech produces equipment for the manufacture of CD-Rs, DVD/Rs and DVDs. In the second segment, Advanced Process Equipment, STEAG HamaTech has been a reliable partner to the semiconductor industry. Based on process expertise in the production of photomasks, this know-how is applied in particular to new types of equipment concepts.

The stock of STEAG HamaTech AG was offered for public trading on the new market (Neuer Markt) of the Frankfurter stock exchange on May 12, 1999. Since the restructuring of the stock index by the Deutsche Börse AG on March 24, 2003, STEAG HamaTech AG is represented in the Prime Standard of the unlisted securities market segment.

2. ACCOUNTING AND VALUATION PRINCIPLES

2.1 ACCOUNTING POLICIES

STEAG HamaTech is included as a subsidiary in the consolidated financial statements of STEAG Aktiengesellschaft, Essen, and RAG Aktiengesellschaft, Essen, both in accordance with IFRS. These consolidated financial statements have exempt status under the provisions of Article 291 HGB. There under, the company is exempt from the legal obligation to prepare consolidated financial statements and a Group management report. The consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards (IFRS) and the Group management report, are prepared in accordance with the additional reporting requirements of the Prime Standard of the Deutsche Börse AG in Germany.

The German Group companies maintain their books in conformity with the German Commercial Code (HGB), which forms the basis for the generally accepted accounting principles in Germany as well as in conformity with IFRS. The consolidated financial statements are prepared in conformity with IFRS (International Financial Reporting Standards). Apart from a few exceptions described below the IFRS are based on the acquisition cost principle.

German accounting principles differ considerably from IFRS in certain respects. In order to meet requirements of German GAAP and IFRS differing items are recorded separately in the the accounts in accordance with German GAAP and in the accounts in accordance with IFRS.

STEAG HamaTech took into consideration the following major differences between IFRS and German GAAP:

- Capitalization of assets and remaining liabilities for capital lease agreements.
- Capitalization of development costs provided that the requirements of IAS 38.21 ff. and IAS 38.57 ff. are met including amortization of capitalized development costs.
- Conversion of receivables and payables denominated in foreign currencies with the exchange rate as of the balance sheet date and arising differences incurred reflected on the income statement.
- Valuation of forward exchange contracts at their fair value.
- Obligations to account for deferred tax assets on temporary differences to the tax balance sheet and on tax net operating losses carried forward.
- Accounting of stock option plans in accordance with IFRS 2.
- Valuation of the pension reserves according to the projected-unit-credit method under consideration of expected future salary trends.
- Revenue recognition.

Until fiscal year 2003 STEAG HamaTech prepared its consolidated financial statements in accordance with "United States Generally Accepted Accounting Principles" ("US-GAAP"). With these consolidated financial statements as of December 31, 2004 STEAG HamaTech meets its obligation to present its consolidated financial statements in accordance with IFRS one year earlier than required by the decree of the European parliament and its council. The first time adoption of IFRS occured in accordance with IFRS 1. The opening balance sheet as of January 1, 2003 does not contain any impairment losses.

The differences between IFRS and US-GAAP including their impact on net results 2004 and 2003 as well as their impact on shareholders' equity as of January 1, 2003, December 31, 2003 and December 31, 2004 are summarized in the following table:

	Shareholders' equity 12/31/2004 T€	Net result 2004 T€	Shareholders' equity 12/31/2003 T€	Net result 2003 T€	Shareholders' equity 1/1/2003 T€
In accordance with IFRS	**85,573**	**-3,169**	**88,618**	**3,640**	**85,085**
Capitalization and amortization of development costs	-3,849	-688	-3,161	-14	-3,147
Stock options programs	0*	-141	0**	-435	0***
Pension reserves and reserves for similar obligations	4	-3	7	11	-4
Fair value of so called stand-ready obligations pursuant to FIN 45	-200	-182	-18	-18	-0
Differences regarding depreciation of property, plant and equipment	-620	605	-1,225	231	-1,457
Deferred taxes	1,669	39	1,630	-65	1,695
Other	-33	0	-33	-33	0
Balance of reconciling items	**-3,029**	**-370**	**-2,800**	**-323**	**-2,913**
In accordance with US-GAAP	**82,544**	**-3,539**	**85,818**	**3,317**	**82,172**

	12/31/2004* T€	12/31/2003** T€	1/1/2003*** T€
Accumulated deficit	+2,584	+2,443	+2,008
Additional paid-in capital	-2,584	-2,443	-2,008
Shareholders' equity	0	0	0

IAS 1, 2, 8, 10, 17, 21, 24, 27, 28, 31, 32, 39 and 40 (all "revised 2003") as well as IAS 36, 38 and IFRS 2, 3 (all "revised 2004") were early adopted prior to their effective date. As stipulated in the statements first time adoption of IAS 16 ("revised 2003" – "Property, Plant and Equipment") and IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations") will occur in fiscal year 2005. STEAG HamaTech does not expect material effects resulting from the first time adoption of IAS 16. Due to the

new accounting and valuation principles of IFRS 5 STEAG HamaTech is currently investigating on the possbile impact of the first time adaption of this new standard.

The consolidated financial statements have been prepared in the EURO currency. All amounts, except for the earnings per share and disclosures of equity and results of consolidated companies in local currency, are stated in thousands of EURO (T€).

2.2 USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. Such estimates and assumptions affect the presentation of assets, liabilities and pending transactions as of the balance sheet date. They also affect sales, income and expenses recorded during the financial year. Actual events could differ from these estimates.

2.3 FOREIGN CURRENCY TRANSLATION

Cash in banks, liabilities due to banks, receivables and payables denominated in foreign currencies are valued at the closing rate as of the balance sheet date.

Income and expenses for German companies for transactions denominated in foreign currencies are translated at the rate on the date of the transaction.

The financial statements of the foreign subsidiaries are converted from the functional currency to the Group currency. Accordingly, income and expense items are translated at the average rates for the year. Assets and liabilities are translated at the middle rate as of the balance sheet date. The equity of the subsidiaries is translated at the historical amounts. Currency translation differences are recorded under shareholders' equity to the position "Reserve for changes in shareholders' equity not affecting income" on a neutral basis.

2.4 CONSOLIDATED ENTITIES

In addition to STEAG HamaTech AG, all subsidiaries over which STEAG HamaTech AG directly or indirectly exercises control are included in the consolidated financial statements.

The discontinuation procedures for STEAG HamaTech Asia Ltd. were finalized in April 2003. However, the subsidiary had not yet been liquidated as of the balance sheet date.

Shareholding interests of STEAG HamaTech AG as of December 31, 2004
(values in conformity with IFRS)

	Equity in local currency	12/31/2004 Shareholding in %	Result in local currency
STEAG HamaTech USA, Inc., Austin / Texas, USA	646 TUSD	100.00	-855 TUSD
STEAG ETA-Optik Gesellschaft für optische Meßtechnik mbH, Heinsberg	4,358 T€*	100.00	1,412 T€**
STEAG HamaTech Asia Ltd., Hong Kong, China	0 TUSD***	100.00	0 TUSD***

* After profit transfer according to profit and loss transfer agreement with STEAG HamaTech AG

** Before profit transfer according to profit and loss transfer agreement with STEAG HamaTech AG

*** Functional currency

2.5 CONSOLIDATION METHODS

For investments in affiliated companies until December 31, 2002 capital consolidation was performed according to the book value method. Accordingly, the acquisition costs of the investments were offset against the allocable share in equity at the initial date of acquisition. The remaining positive difference amount was capitalized as goodwill if it could not be allocated to individual assets of the subsidiary and single identifiable assets with contractual or legal future economic benefits. There were no investments in affiliated companies neither in fiscal year 2003 nor in fiscal year 2004. The initial consolidation after acquisition of future investments in affiliated companies will be performed in accordance with the revaluation-method.

Intercompany transactions are eliminated.

2.6 INTANGIBLE ASSETS

Intangible assets comprise of purchased software and licenses, capitalized development costs which contain own and external development measures and industrial rights all with definite useful lives as well as goodwill with indefinite useful lives arising

from the consolidation of subsidiaries. Intangible assets are stated at acquisition costs. Amortization is made according to the straight-line method over the estimated economic useful lives of 3 to 5 years. Capitalized development costs are amortized over their estimated useful life of 3 years. Industrial rights are amortized over the remaining useful life of the patents and trademarks (6 to 17 years). Goodwill arising from capital consolidation that would have been considered for the first time during the reporting year, is no longer amortized according to the provisions of IFRS 3 and IAS 36 , but is instead subject to annual impairment tests. All other intangible assets are regularly examined for impairment taking into account definite events or changed circumstances and, if required, are written-down to the lower net realizable value.

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are capitalized at acquisition or manufacturing costs. They are depreciated according to the straight-line method over the estimated useful lives. The estimated useful life for buildings is 25 years. For technical equipment and machinery, the estimated useful lives are between 4 and 5 years. For plant and office equipment, the estimated useful lives are between 3 and 10 years. Departures are made from these general useful lives when the expected economic useful lives of the asset are either longer or shorter.

Property, plant and equipment are regularly examined for impairment taking into account definite events or changed circumstances and, if required, are written-down to the lower net realizable value.

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and bank deposits with maturity periods of less than three months from the value date. They are stated at their nominal value.

2.9 INVENTORIES

Raw materials and supplies as well as replacement parts are stated at the lower of cost or net realizable value, i.e. at the lower value arising from the comparison of the acquisition costs with the net realizable value. The net realizable value is equivalent to the realizable market price less necessary selling costs.

Work in process and finished goods are stated at manufacturing costs. In addition to direct costs for direct materials and direct labor, this includes directly attributable

material and manufacturing overheads including depreciation. Anticipated losses for outstanding orders are deducted from work in process. Exceeding losses are taken into account in the form of an accrual.

2.10 RECEIVABLES

Receivables are stated at acquisition costs. Allowances for doubtful accounts are made for receivables whose collectibility is associated with recognizable risks.

2.11 OTHER ASSETS

All other assets are stated at acquisition costs. They are regularly examined for impairment taking into account definite events or changed circumstances and, if required, are written-down to the lower net realizable value.

2.12 PENSION RESERVES AND RESERVES FOR SIMILAR OBLIGATIONS

STEAG HamaTech accounts for pension reserves for members of the Management Board in the form of a defined benefit plan.

The amount of the individual pension plans is generally subject to compensation and length of employment service. The valuation of the pension liability and the necessary application to adequately cover these obligations are in accordance with IAS 19 based on the projected-unit-credit method. Accordingly, not only are the known pension obligations and pension benefits determined as of the balance sheet date, but also the actuarial parameters regarding future developments. Due to the fact that there are no special separate plan assets to cover the pension obligations actuarial gains/losses will only be recorded if the balance of accumulated actuarial gains/losses not yet recognized as income/expenses at the end of the prior reporting period exceed 10 % of the present value of the defined benefit obligation at the end of the prior reporting period. The amount exceeding this threshold will be recorded as income/expenses over the estimated duration of remaining employment service provided by the members of the board as the beneficiaries of the pension plan. As of the balance sheet date the accumulated actuarial gain does not exceed the threshold described above.

2.13 WARRANTY OBLIGATIONS

The company grants a warranty period of one year for their equipment. The warranty period begins with the final acceptance of the equipment and ends at the latest 15 months after the delivery date. For possible warranty obligations STEAG HamaTech records a reserve which is based on experiences in the past.

2.14 OTHER RESERVES AND ACCRUED LIABILITIES

Other reserves and accrued liabilities are recorded provided that there are legal or effective obligations due to external parties which are based on events in the past and which will probably lead to an outflow of cash or cash equivalents. A further condition for other reserves and accrued liablilities is that the obligation can be quantified reliably. If there is a variety of similar obligations the likelihood of an outflow of cash or cash equivalents will be based on the variety as a whole. Other reserves and accrued liabilities are stated with the value necessary to fulfill the obligation. This value also takes increases in costs into consideration. Non-current liabilities will be discounted.

2.15 LIABILITIES DUE TO BANKS

Current liabilities due to banks for which STEAG HamaTech is paying interest are stated at acquisition cost which are the equivalent to the credit amount received less transaction costs.

2.16 OTHER LIABILITIES

All other liabilities are stated with the amount that has to be paid back to the creditor. Non-current liabilities are discounted.

2.17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The valuation of monetary current assets and short-term liabilities corresponds to their fair values because of their short-term maturity.

2.18 DERIVATIVE FINANCIAL INSTRUMENTS

Orders denominated in foreign currencies are generally secured against exchange rate fluctuations by forward exchange contracts. The same applies to purchase transactions denominated in foreign currencies with a value of more than T€ 100 per transaction. This excludes purchase transactions denominated in Swiss Francs, for which derivatives were not entered into.

Derivatives are recorded and valued from the transaction date. Both the measurement of the forward exchange contract and the measurement of the underlying receivable denominated in a foreign currency are determined in conformity with IAS 39. Accordingly, receivables are valued at the closing rate. Hedging transactions are separately recorded on the balance sheet at the difference between the hedged rate

and the value of the forward contract as of the balance sheet either as an asset or liability. Changes in value of financial instruments will affect income or expenses.

2.19 REVENUE RECOGNITION

Revenue recognition from proceeds on the sale of machinery and equipment is made in accordance with IAS 19. Accordingly, revenue recognition is subject to the following three criteria:

- The equipment is installed at the customer's premises for productive use.
- Pre-acceptance tests have been successfully conducted.
- Pre-acceptance tests are valid proof as reliable indicators for successful final acceptance.

Revenue is recognized only upon satisfaction of all three criteria.
Upon sale of newly developed machinery and equipment, revenue is first recognized after successful final acceptance.

Precedent conditions to receivables due from equipment delivery contracts lead to recognition of revenue upon incurrence of the precedent condition or discontinuance of repayment obligations.

2.20 FREIGHT COSTS

Out-going freight costs are presented under the cost of sales position.

2.21 RESEARCH AND DEVELOPMENT

Research expenses will affect income in the year the research measures were performed. Following the rules of IAS 38.21 ff. and 38.57 ff. development costs will be capitalized provided that the following criteria are cumulatively met:

- The completion of the development project is feasible and real intention of the company.
- The development can be sold or used.
- The development bears future economic benefits.
- The company has sufficient technical, financial and other necessary ressources to complete the development at its disposal.
- The acquisition or manufacturing costs can be measured reliably.

STEAG HamaTech starts capitalization of development costs as soon as the conditions described above are cumulatively met. It stops as soon as the product reached its market maturity. All other development costs for which either at least one of the conditions described above is not met or which occur after the product reached its market maturity will be recorded as expenses in the year they occured.

Capitalized development costs will be amortized over their estimated useful lives of 3 years. If indicators warned that the realizable value sank below the book value unplanned amortization would be recorded.

If the conditions described above are met subsidies received will reduce the acquisition or manufacturing costs of the capitalized development costs. Otherwise they will be recorded as an income affecting credit journal entry in the position development costs.

2.22 INCOME TAXES

Income taxes are calculated on the net results for the year. Deferred taxes are recorded for future tax effects from timing differences. These arise from different valuations in the tax balance sheet and the consolidated financial statements under IFRS. Furthermore, deferred tax assets are created for tax losses carried forward. Deferred tax assets and liabilities are calculated at the enacted tax laws and statutory rates. Deferred tax assets will be set off against deferred tax liabilities provided that there is a legal right to set off tax claims against tax liabilities or provided that deferred tax assets and deferred tax liabilities refer to the same tax department.

3. NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

3.1 INTANGIBLE ASSETS

Intangible assets showed the following development in fiscal years 2004 and 2003:
(All amounts in T€)

	Goodwill	Industrial rights	Capitalized development costs	Other intangible assets	Total
Acquisition costs and manufacturing costs					
As of 1/1/2003	1,318	3,075	4,122	119	8,634
Translation differences	0	-8	0	0	-8
Additions	0	57	1,196	37	1,290
Disposals	0	0	-79	0	-79
As of 12/31/2003	**1,318**	**3,124**	**5,239**	**156**	**9,837**
Translation differences	0	-3	0	0	-3
Additions	0	172	2,628	16	2,816
Disposals	0	-1	-23	0	-24
As of 12/31/2004	**1,318**	**3,292**	**7,844**	**172**	**12,626**
Amortization					
As of 1/1/2003	376	1,721	974	89	3,160
Translation differences	0	-4	0	0	-4
Additions	0	265	1,103	26	1,394
Disposals	0	0	0	0	0
As of 12/31/2003	**376**	**1,982**	**2,077**	**115**	**4,550**
Translation differences	0	-3	0	0	-3
Additions	0	182	2,214	24	2,420
Disposals	0	0	0	0	0
As of 12/31/2004	**376**	**2,161**	**4,291**	**139**	**6,967**
Book value 12/31/2003	**942**	**1,142**	**3,162**	**41**	**5,287**
Book value 12/31/2004	**942**	**1,131**	**3,553**	**33**	**5,659**

The allocation of intangible assets to corporate functions is decisive for the presentation of amortization in the income statement. Amortization of capitalized development costs are included in research and development costs.

Patents and trademarks with acquisition costs amounting to T€ 1,109 and the goodwill are allocated to STEAG ETA-Optik GmbH as cash generating unit (CGU). Shortterm budget and midterm plannings of this company prove the full value of these assets.

Additionally all other intangible assets were not impaired in fiscal year 2004.

3.2 PROPERTY, PLANT AND EQUIPMENT

In fiscal years 2004 and 2003 property, plant and equipment developped as follows:
(all amounts in T€)

	Property	Own buildings	Leased buildings (finance lease)	Machinery	Equipment and office supply	Total
Acquisition costs and manufacturing costs						
As of 1/1/2003	901	11,859	2,271	4,904	9,277	29,212
Translation differences	0	-8	0	0	-381	-389
Additions	0	9	0	135	499	643
Disposals	0	-29	0	0	-1,093	-1,122
As of 12/31/2003	**901**	**11,831**	**2,271**	**5,039**	**8,302**	**28,344**
Translation differences	0	-1	0	0	-80	-81
Additions	0	128	52	467	867	1,514
Disposals	0	-6	0	-4	-1,032	-1,042
As of 12/31/2004	**901**	**11,952**	**2,323**	**5,502**	**8,057**	**28,735**
Depreciation						
As of 1/1/2003	0	1,961	1,214	3,034	6,791	13,000
Translation differences	0	-4	0	0	-366	-370
Additions	0	516	72	543	982	2,113
Disposals	0	-36	0	0	-1,080	-1,116
As of 12/31/2003	**0**	**2,437**	**1,286**	**3,577**	**6,327**	**13,627**
Translation differences	0	0	0	0	-81	-81
Additions	0	487	77	561	905	2,030
Disposals	0	0	0	-4	-1,026	-1,030
As of 12/31/2004	**0**	**2,924**	**1,363**	**4,134**	**6,125**	**14,546**
Book value 12/31/2003	**901**	**9,394**	**985**	**1,462**	**1,975**	**14,717**
Book value 12/31/2004	**901**	**9,028**	**960**	**1,368**	**1,932**	**14,189**

The additions to the leased production and administration building result from an amendment of the underlying lease contract in fiscal year 2004. It is contractually agreed that the next amendment of the lease contract will occur in fiscal year 2009. The allocation of property, plant and equipment to corporate functions is decisive for the presentation of depreciation in the income statement.

In fiscal year 2004 property, plant and equipment were not impaired.

3.3 TRADE ACCOUNTS RECEIVABLE (NON-CURRENT)

This position includes the midterm and longterm portion of trade accounts receivable. The instalments for which interests are charged become due in 13 to 29 months.

Due to the fact that there was no recognizable risk associated with trade accounts receivable (non-current) no allowance for doubtful accounts was recorded in fiscal year 2004.

3.4 OTHER RECEIVABLES (NON-CURRENT)

Other non-current receivables comprise of a longterm loan due from a customer amounting to T€ 1,636 (prior year: T€ 0). In fiscal year 2003 this position comprised of customer receivables for value added tax.

3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand, banks balances and time deposits with total maturity periods of less than three months. The book value corresponds to the market value as of the balance sheet date.

	12/31/2004 T€	12/31/2003 T€
Bank balances	817	888
Cash on hand	25	16
	842	**904**

3.6 TRADE ACCOUNTS RECEIVABLE (CURRENT)

An allowance for doubtful accounts has been recorded for current trade accounts receivable as follows:

	12/31/2004 T€	12/31/2003 T€
Accounts receivable - gross	20,585	21,740
Allowance for doubtful accounts	-1,808	-2,192
	18,777	**19,548**

Additions to the allowance for doubtful accounts are recorded as other expenses in the income statement whereas disposals of the allowance for doubtful accounts are recorded as other income.

3.7 INVENTORIES

	12/31/2004 T€	12/31/2003 T€
Raw materials and supplies	23,469	22,397
Work in process	16,015	22,314
Shipped machines - sales not realized	18,008	22,616
Finished goods and merchandise	3,835	4,605
Valuation allowances	-6,485	-8,106
Advance payments	981	2,671
	55,823	**66,497**

The valuation allowances relate to the write-down according to the lower of cost or net realizable value principle which are determined separately for raw materials and supplies on the one hand and all other inventories on the other hand. Net realizable value is defined as realizable market price less necessary selling costs. The book value of inventories that were valued at the lower net realizable value amounts to T€ 8,785 (prior year: T€ 7,342).

3.8 OTHER ASSETS (CURRENT)

Other current assets comprise of the following positions:

	12/31/2004 T€	12/31/2003 T€
Tax refund claims	1,663	4,158
Advance payments made	208	0
Deferred assets	116	200
Fair value of the forward exchange contracts	116	0
Current portion of loans receivable	0	720
Other	123	379
	2,226	**5,457**

3.9 DERIVATIVE FINANCIAL INSTRUMENTS

A major portion of the deliveries abroad, especially to the Eastern Asian markets, were mainly invoiced by STEAG HamaTech AG in the Euro currency up to the balance sheet date. The US American subsidiary invoices in US Dollars. Receivables denominated in foreign currencies are generally hedged by forward exchange contracts.

The use of forward exchange contracts for speculative or trading purposes is strictly prohibited under a corporate directive.

The fair value of the forward exchange contracts amounted to:

12/31/2004	T€ 116
12/31/2003	T€ -4

The fair value of the forward exchange contracts reflects the bank's assessment of the market situation as of the balance sheet date. It was based on generally accepted mathematical calculation methods as well as on the market data available at this point of time.

The impact of changes in market conditions are shown in the positions other income (3.18) or other expenses (3.19).

The maturity period for individual transactions concluded in the forward exchange contracts was one to twelve months.

3.10 SHAREHOLDERS' EQUITY AND STOCK OPTION PLANS

The fully paid-in share capital of STEAG HamaTech AG remained unchanged as of December 31, 2004 versus the prior year at an amount of T€ 30,000 and is divided into 30,000,000 common stock shares.

According to a resolution of the shareholders' meeting in 1999, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital up to € 11.0 million until April 15, 2004. € 1.0 million of this amount were utilized as a "greenshoe" in June 1999 by Dresdner Bank AG after STEAG HamaTech AG went public. According to a resolution of the shareholders' meeting dated May 14, 2004 the Management Board was authorized, with the approval of the Supervisory Board, to

increase the share capital up to € 10.0 million until May 13, 2009.
As of December 31, 2004, the authorized capital remained unchanged at T€ 10.000.

In the General Meeting dated May 14, 2004 it was resoluted to perform a conditioned capital increase of T€ 3,000,000 in order to issue convertible bonds until May 13, 2009 either combined with the option or with the obligation to convert into share capital.

For purposes of establishing an employee and management stock option plan, the General Meeting held on April 19, 1999 and on May 18, 2001, resolved to a conditional capital increase of € 1,000,000, respectively. The conditional capital serves for one or several issuances of option rights to the stock of STEAG HamaTech AG and results in a capital increase only to the extent that the holder of the option rights exercises their rights. The resolution was recorded in the commercial register on April 30, 1999 and June 8, 2001, respectively.

According to General Meeting resolutions dated April 19, 1999 and May 18, 2001, respectively, the Management Board, with the approval of the Supervisory Board, granted two stock option plans of up to 1 million stock option rights for preemptive rights to the common stock of STEAG HamaTech AG and its subsidiaries.

The granting of both plans in two tranches has developed as follows since the date of grant:

Stock option plan 1

	2004 Tranche 1	2004 Tranche 2	2003 Tranche 1	2003 Tranche 2
Granted	897,000	103,000	897,000	103,000
Balance at January 1	439,000	51,035	488,000	59,000
Exercised	-	-	-	-
Expired	439,000	51,035	49,000	7,965
Balance at December 31	0	0	439,000	51,035
Thereof exercisable	-	-	-	-

The stock options granted in stock option plan 1 expired on May 11, 2004. Due to the fact that the performance criteria as described in the stock option programs were not met the beneficiaries were not able to exercise their stock options.

Stock option plan 2

	2004 Tranche 1	2004 Tranche 2	2003 Tranche 1	2003 Tranche 2
Granted	388,100	578,800	388,100	578,800
Balance at January 1	315,000	522,800	357,700	578,800
Exercised	-	-	-	-
Expired	70,600	74,200	42,700	56,000
Balance at December 31	244,400	448,600	315,000	522,800
Thereof exercisable	-	-	-	-

The expired option rights exclusively related to the resignation of employees.

The exercise of the option rights is subject to the following conditions:

	Stock option plan 1		Stock option plan 2	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Preemptive price per share	9.25		7.78	3.54
Grant date	05/11/1999	11/16/1999	11/30/2001	12/02/2002
End of qualifying period	33 % of stock option rights after 2 or 3 years. The remaining 34 % after 4 years.			
Qualifying period expired (share in total option rights)	100 %		66%	33 %
Exercise period	Exercise begins on 4th and ends on 18th bank working days following the ordinary General Meeting of STEAG HamaTech AG or the submission of the quarterly financial statements for the second or third quarters.			
Final exercise of stock option rights	The last 15 bank working days before the options expire on May 11, 2004		The last 15 bank working days before the options expire on November 30, 2007	Exercise period begins on the 4th and ends on the 18th bank working days based on the third quarter financial statements, but no later than December 31, 2007

In order to exercise a stock option right, it is necessary to satisfy performance criteria. The stock option plan 2 requires that the closing price of the STEAG HamaTech stock must be higher on the last bank working day before the exercise period starts. The stock option plan 1 required that one of the following criteria had to be met: The average closing price, adjusted for any dividend payment, option rights and other special rights, of a STEAG HamaTech share of the last ten trading days before the start of the respective exercise phase in which the holder intends to exercise the stock option rights had to exceed the issue price of a STEAG HamaTech share by at least 30 %. The results before income taxes reported in the consolidated financial statements of STEAG HamaTech AG for the reporting year before the exercise phase in which the holder intends to exercise the stock option rights had to exceed the results before taxes reported in the consolidated financial statements of the prior year by at least 15 %.

Since neither of the performance criteria were satisfied during the four exercise phases (2001 to 2004), the stock options could not be exercised.

Generally the respective non-exercisable stock option rights of stock option plan 2 may be exercised in one of the subsequent exercise phases.

The valuation of the stock option rights was made at fair value in accordance with IFRS 2 which was early adopted by STEAG HamaTech. IFRS 2 applies to stock option rights granted after November 7, 2002. One of the key arguments for the early adoption of IFRS 2 was that based on the development of STEAG HamaTech AG's share price in the last three financial years only the stock options of tranche 2 of stock option plan 2 are likely to be exerciseable. With the early adoption of IFRS 2 only tranche 2 of stock option plan 2 becomes relevant for accouting and valuation. The fair values of the relevant stock options were based on the Black-Scholes option-pricing model. The factors used in determining the fair value of the stock options as of the grant date were as follows:

Expected volatility of the stock	64.84 %
Expected dividends on the stock	0.00 %
Average risk-free interest rate	3.82 %
Fair value of each stock option based on these factors	1.53 €

In accordance with IFRS 2 the total value of the stock options to be distributed over the total period as personnel expenses amounts to T€ 602. The periodic personnel expenses for the reporting year 2004 amounted to T€ 154 (prior year: T€ 150).

3.11 PENSION RESERVES AND RESERVES FOR SIMILAR OBLIGATIONS

The calculation of the pension obligations is based on the following actuarial parameters:

	2004 %	2003 %
Interest rate	5.00	5.50
Expected future salary increase	2.50	2.50
Expected pension increase	1.50	1.50

The defined benefit obligation as of the balance sheet date is calculated as follows:

	2004 T€	2003 T€
Balance at January 1	**173**	**51**
Service cost	65	95
Interest cost	10	3
Actuarial gains (prior year: losses)	-34	24
Balance at December 31	**214**	**173**

There are no special separate plan assets to cover the pension obligations.

The pension reserves as of the balance sheet date are broken down as follows:

	12/31/2004 T€	12/31/2003 T€
Projected benefit obligation (PBO)	214	173
Unrecognized actuarial gains (prior year: losses)	11	-24
Pension reserves	**225**	**149**

The net periodic pension cost for the financial year 2004 is presented below:

	2004 T€	2003 T€
Current service cost	65	95
Interest cost	10	3
Net periodic pension cost	**75**	**98**

3.12 OTHER RESERVES AND ACCRUED LIABILITIES

In fiscal year 2004 other reserves and accrued liabilities showed the following development: (all amounts in T€)

	1.1	Utilization	Disposal	Additions	Translation differences	12/31
Warranty services	2,245	2,084	0	2,030	-32	2,159
Personnel	2,333	2,318	15	1,880	-7	1,873
Tax risks - VAT	0	0	0	750	0	750
Subsequent costs	470	470	0	493	0	493
Sales commissions	348	348	0	49	0	49
Anticipated losses from pending transactions	77	77	0	0	0	0
Other	631	602	29	655	0	655
	6,104	**5,899**	**44**	**5,857**	**-39**	**5,979**
Non-current	**0**					**216**
Current	**6,104**					**5,763**

The non-current portion relates to personell. The additions to this reserve include interests amounting to T€ 12.

Accrued liabilities for personnel comprise of bonuses, extra work, unpaid holiday, pensions financed by employees by means of renunciation of salaries or bonuses and contribution to the professional association.

The accrued liabilities for subsequent costs refer to costs that occur after revenue recognition although STEAG HamaTech met all its contractual obligations. They mainly comprise of costs necessary to finally receive the FAT (Final Acceptance Test). The valuation of these accrued liabilities is based on experiences regarding costs that occured in the past after revenue recognition depending on the respective type of machine sold. These costs per type of machine are checked and updated regularily.

3.13 LIABILITIES DUE TO BANKS

As of December 31, 2004, the liabilities due to banks amounted T€ 315 (prior year: T€ 6,612). The utilization of short-term credit lines with banks accrued interest in 2004 at variable interest rates between 3.35 % and 4.9 % p.a. (prior year: between 4.3 % and 5.05 % p.a.). In addition to the aforementioned liabilities due to banks, STEAG HamaTech AG holds assured, limited credit lines in the amount of T€ 18,185 (prior year: T€ 12,388) which expire at the end of February 2006 unless they will not be prolonged.

3.14 OTHER LIABILITIES

Other liabilities comprise of the following:

	12/31/2004 T€	12/31/2003 T€
Liabilities for withheld payroll taxes	718	731
Liabilities for social security	497	503
Liabilities for import sales tax and customs duty	479	687
Other	44	146
	1,738	**2,067**

3.15 DIRECT SELLING COSTS

The direct selling costs relate mainly to sales commissions.

3.16 COST OF SALES

In the reporting year 2004 cost of sales include costs of inventories used for production amounting to T€ 86,010 (prior year: T€ 85,600). Additionally this position includes depreciation of inventories amounting to 2,963 T€ (prior year: 3,765 T€).

3.17 PERSONNEL EXPENSES

The income statement for fiscal year 2004 contains personnel expenses amounting to T€ 23,364 (prior year: T€ 23,892).

3.18 OTHER INCOME

Other income comprise of the following items:

	2004 T€	2003 T€
Income from service contracts	1,082	0
Release of allowance for doubtful accounts for trade accounts receivable	321	262
Damage claims by insurance companies, customers or suppliers	276	393
Gains resulting from the valuation of forward exchange contracts	120	95
Gains on currency translation	49	91
Release of provisions	44	648
Gains on the disposal of property, plant and equipment	17	48
Other	788	513
	2,697	**2,050**

Income from service contracts refer to services rendered from STEAG HamaTech AG for its sister company STEAG Electronic Systems s.r.o., Nové Mesto (Slovakia), in connection with the transferr of production activities from STEAG HamaTech AG to its sister company and in connection with consulting fees for the successful closing of important contracts with new customers for another business segment of STEAG Electronic Systems s.r.o.

3.19 OTHER EXPENSES

Other expenses comprise of the following items:

	2004 T€	2003 T€
Bad debt expenses and direct write-off of trade accounts receivable	1,329	1,548
Additions to other reserves due to tax risks – VAT	750	0
Losses on currency translation	236	183
Losses on forward exchange contracts	0	4
Other	214	71
	2,529	**1,806**

3.20 INTEREST RESULT

In the financial year 2004 there were no interest amounts incurred from financing activities with affiliated companies.

3.21 INCOME TAXES

Of the result before income taxes, an amount of T€ 1,876 (2003: T€ 7,692) was generated in Germany.

Income taxes are broken down between Germany and abroad as follows:

	2004 T€	2003 T€
Current tax expense		
Germany	0	-486
Abroad (2003: tax refund)	-3	737
Deferred taxes		
Germany	-4,359	-2,779
Abroad	0	-159
	-4,362	**-2,687**

According to German tax law, deferred tax assets were recorded for tax loss carryforwards of STEAG HamaTech AG in the amount of T€ 41,073 (prior year: T€ 52,884).

On December 22, 2003, the President of the Federal Republic of Germany signed the law on implementation of the declaration of the federal government on the mediation recommendation to reduce tax benefits (Korb II).

Among others, this law restricts the offset of profits against loss carryforwards to an annual amount of € 1 million plus 60 % of the remaining excess amount of income. In accordance with IAS 12.34 ff. and IAS 12.24 ff. we took into account this rule in the examination of the value of deferred tax assets with respect to tax loss carryforwards. The short term and medium term budgets of STEAG HamaTech AG and its subsidiary, STEAG ETA-Optik GmbH, led to an impairment of T€ 4,000. This amount is contained in income taxes and reduces the net result of fiscal year 2004.

No deferred tax assets were recorded for tax loss carryforwards amounting to T€ 66,811 (prior year: T€ 58,606).

The expected income tax rate of 36.8 % for 2005 and thereafter takes into account the solidarity surcharge and trade income taxes as well as the tax deductability of trade income taxes. It is applied to current and non-current deferred tax effects.

A tax effect is reflected in the corporate income tax of 26.5 % due to the increase in the corporate income rate in 2003 for the solidarity law for flooding victims passed on September 19, 2002. The tax effect with respect to the financial year 2003 is calculated at the income tax rate of 38.2 %, which was relevant for the application by STEAG HamaTech AG.

The table below illustrates an overview of the differences between the effective tax rates for the STEAG HamaTech Group at a tax rate of 36.8 % for 2004:

	2004 T€	2003 T€
Tax expense at a tax rate of 36.8 % (prior year: 38.2 %)	**438**	**2,417**
Impairment of deferred tax assets recorded for tax loss carryforwards	4,000	0
No deferred tax assets were recorded for the tax loss of the respective fiscal year at STEAG HamaTech USA, Inc.	269	747
Non-tax deductible costs for employee stock option plans	57	57
Non-tax deductible amortization of intangible assets	25	25
Tax reduction (prior year: tax increase) due to change in the enacted tax rates and differences in the tax rates of the subsidiaries compared to the tax rate of STEAG HamaTech and further tax differences	-88	217
Loss carry back from the US	0	-819
Other positions (net)	-339	43
Effective income taxes	**4,362**	**2,687**

Deferred tax assets and liabilities resulted from the timing differences from the following circumstances:

	12/31/2004 T€	12/31/2003 T€
Tax effects from temporary differences on deferred tax assets		
Tax loss carryforwards	15,115	19,461
Unrecognized revenues under IFRS	1,102	1,165
Eliminated intercompany profits	670	545
Capital leases	185	190
Other	22	93
	17,094	**21,454**
Tax effect from temporary liability differences		
Unrecognized revenues under local GAAP	-59	0
Depreciation of property, plant and equipment	-228	-451
Capitalized development costs	-1,416	-1,163
Other	-136	-227
	-1,839	**-1,841**
Set off against deferred tax assets	**1,605**	**-1,841**

	12/31/2004 T€	12/31/2003 T€
Deferred tax liabilities	**234**	**0**
Current	0	0
Non-current	234	0
Deferred tax assets	**15,489**	**19,613**
Current	272	2,832
Non-current	15,217	16,781

In accordance with Article 10 d of the German tax law, the utilization of German loss carryforwards is unlimited. With respect to the loss carryforwards in the US the utilization of such carryforwards is subject to the following time periods:

	12/31/2004 T€
Tax loss carryforwards in the US can be utilized until:	
12/31/2020	6,037
12/31/2021	6,817
12/31/2022	16,685
12/31/2023	9,579
12/31/2024	719

3.22 SEGMENT REPORTING

The business activities of STEAG HamaTech consist of the business segments Optical Disc and Advanced Process Equipment.

In the larger segment, Optical Disc, STEAG HamaTech manufactures equipment for the production of CD-Rs, DVDs and DVD/Rs.

In the Advanced Process Equipment segment, STEAG HamaTech develops, constructs and sells production equipment for the manufacture of photomasks. They serve the semiconductor industry for the transfer of circuit structures to silicon wafers. This process know-how is repeatedly applied to new types of equipment concepts in the areas of telecommunication, microstructure technology and semiconductor production.

The following assets and liabilities as of the balance sheet date were classified to the segments shown below. In addition, capital expenditures, income and expenses for 2004 are classified to both segments as follows:

	Segment "Optical Disc"		Segment "Advanced Process Equipment"		STEAG HamaTech Group	
	2004 T€	2003 T€	2004 T€	2003 T€	2004 T€	2003 T€
Total assets per segment as of 12/31	**91,403**	**101,142**	**11,767**	**12,809**	**103,170**	**113,951**
Deferred tax assets as of 12/31					15,489	19,613
Total assets as of 12/31					**118,659**	**133,564**
Capital expenditures in intangible assets and property, plant and equipment	**3,649**	**1,234**	**680**	**699**	**4,329**	**1,933**
Liabilities per segment as of 12/31	**27,514**	**37,794**	**4,855**	**6,669**	**32,369**	**44,463**
Accrued taxes as of 12/31					483	483
Deferred tax liabilities as of 12/31					234	0
Liabilities as of 12/31					**33,086**	**44,946**
Sales - gross	132,182	131,696	16,859	15,200	149,041	146,896
Amortization and depreciation	-3,895	-2,921	-555	-585	-4,450	-3,506
Non-cash expenses/income	-2,915	-1,329	-281	-235	-3,198	-1,564
Other expenses/income	-126,231	-122,456	-14,235	-12,778	-140,466	-135,234
Result per segment (Earnings before interest and tax (EBIT))	**-859**	**4,990**	**1,788**	**1,602**	**929**	**6,592**
Interest result					264	-265
Earning before tax (EBT)					**1,193**	**6,327**
Income taxes					-4,362	-2,687
Net result for the year					**-3,169**	**3,640**

The definition of segments per region follows geograhical criteria. Assets per segment and capital expenditures are segmented according to the affiliates' legal seat whereas gross sales are segmented according to the customers' place of business.

The assets per segment relate to an amount of T€ 4,184 (prior year: T€ 2,948) to US Group companies and to an amount of T€ 98,986 (prior year: T€ 111,003) to German Group companies.

Of the capital expenditures for intangible assets and property, plant and equipment an amount of T€ 51 (prior year: T€ 9) relates for the US subsidiary. The remaining amount of T€ 4,278 (prior year: T€ 1,924) relates for German Group Companies.

The gross sales are broken down by geographical regions as follows:

	2004		2003	
	T€	%	T€	%
Germany	16,412	11.0	28,857	19.6
European Union	30,916	20.8	18,162	12.4
Rest of Europe	2,518	1.7	3,496	2.4
North America	7,318	4.9	8,289	5.6
Asia	85,863	57.6	85,276	58.1
Rest of the world	6,014	4.0	2,816	1.9
	149,041	**100.0**	**146,896**	**100.0**

Of the gross sales amount, 39 % (prior year: 45 %) represents the top five largest customers. Of the gross sales amount, 41 % (prior year: 49 %) relates to six major customers. Sales from other customers did not exceed the threshold of 3 % of gross sales.

4. OTHER DISCLOSURES

4.1 FINANCIAL COMMITMENTS

There is a pension obligation for one former member of the Management Board of STEAG Electronic Systems AG. There was no annual additional amount for this obligation recharged to STEAG HamaTech AG.

4.2 LEASE AGREEMENTS

1. CAPITAL LEASE OBLIGATIONS

STEAG HamaTech AG leases a production and administration building. The remaining payment obligations are listed below:

	12/31/2004 T€	12/31/2003 T€
1st year after balance sheet date	220	212
2nd year after balance sheet date	220	212
3rd year after balance sheet date	220	212
4th year after balance sheet date	220	212
5th year after balance sheet date	220	212
6th year after balance sheet date until 2013	827	1,003
Total lease payments	1,927	2,063
Less interest portion	-463	-561
Current value of lease obligations	1,464	1,502
Less current portion	-98	-86
Non-current lease obligations	1,366	1,416

2. RENTAL COMMITMENTS

As of the balance sheet date, the following rental commitments particularly for production and administration buildings existed for companies included in consolidation:

	12/31/2004 T€	12/31/2003 T€
1st year after balance sheet date	325	336
2nd year after balance sheet date	275	272
3rd year after balance sheet date	226	204
4th year after balance sheet date	224	204
5th year after balance sheet date	225	204
6th year after balance sheet date or later	460	821
Total	1,735	2,041

The rental expenses for the financial year amounted to T€ 287 (prior year: T€ 511).

3. LEASE AGREEMENTS WITH CUSTOMERS

During 2004, there were no lease agreements in which STEAG HamaTech was the lessor.

4.3 TRANSACTIONS WITH RELATED PARTIES

STEAG Electronic Systems AG, Essen, which was a wholly owned subsidiary of STEAG AG, Essen, until Septermber 9, 2004, holds 66.28 % of the share capital of our company. Since September 10, 2004 the shares in STEAG Electronic Systems AG are completely held by SES Beteiligungs-GmbH, Essen. As of the balance sheet date RAG Aktiengesellschaft, Essen, indirectly participates via its affiliates RB Verwaltungs-gesellschaft für die Beteiligung an der Rütgerswerke mbH, Essen, and RAG Beteiligungs-GmbH, Essen, 100 % in STEAG AG and SES Beteiligungs-GmbH. Since January 1, 2005 RAG Aktiengesellschaft, Essen, indirectly holds via its affiliates RAG Beteiligungs-GmbH, Essen, RAG Coal International AG, Essen, and Micro Carbon Brennstofftechnik GmbH, Essen, 100 % of the shares in SES Beteiligungs-GmbH, Essen.

Business relationships with affiliates of companies included in this Group occurred as follows:

	2004 T€	2003 T€
STEAG Electronic Systems AG		
■ Services rendered and company pension plan (2003: credit)	0	-18
STEAG Electronic Systems spol., Slowakei		
■ Liabilities	135	321
■ Purchase of finished goods, construction groups/plant deliveries and services rendered	10,905	15,656
■ Services rendered by STEAG HamaTech AG	1,082	0
STEAG AG		
■ Liabilities	68	141
■ Services rendered	336	451
RAG Versicherungs-Dienst GmbH		
■ Insurance services	221	160
RAG Informatik GmbH		
■ Liabilities	3	0
■ EDP services	3	0

4.4 MATERIAL RISKS AND UNCERTAINTIES

As a general rule, legal risks are taken into account by creating provisions in the amount of the expected burden. Apart from the provisions created for recognized risks, we are not aware of any other risks or uncertainties up to the date of this report.

4.5 CONTINGENT LIABILITIES

As of December 31, 2004, STEAG HamaTech AG is liable for bank guarantees to customs agents in the amount of T€ 26 (prior year: T€ 26). Other bank guarantees granted of T€ 3,330 (prior year: T€ 2,891) are offset by advance payments received in the amount of T€ 2,361 (prior year: T€ 1,264).

As of the balance sheet date, STEAG executed obligations to perform warranty services in return of financed equipment or repurchase commitments with five customers and their financing banks in the total amount of T€ 3,299 (prior year: T€ 8,361) in the event that contractual obligations are not met by the customers. These obligations are offset by receivables with recourse in the amount of T€ 1,845 (prior year: T€ 3,497) and possible rewards from alternative disposal of the respective machines.

4.6 OTHER FINANCIAL COMMITMENTS

Purchase commitments for capital expenditures amounted to T€ 177 (prior year: T€ 291). T€ 77 (prior year: T€ 32) refer to intangible assets whereas T€ 100 (prior year: T€ 259) refer to property, plant and equipment.

4.7 EARNINGS PER SHARE

The earnings per share have been determined in accordance with IAS 33.
The average number of shares in 2004 amounted to 30.0 million shares (prior year: 30.0 million shares).
In fiscal year 2004 there were no diluting effects on earnings per share. However as of the balance sheet date 12/31/2003 dilution effects arose from the second tranche of the second stock option plan due to the stock rate of STEAG HamaTech AG. For purposes of calculating the diluted earnings per share, the affected 522,800 shares increased the number of average shares in 2003.

4.8 SHARES HELD BY BOARD MEMBERS

As of the balance sheet date, the members of the Management Board and Supervisory Board of STEAG HamaTech AG held shares and stock option rights in the following amounts:

Name	Shareholding	Stock options[1]
Dr. Jochen Melchior	0	0
Dr. Hans-Georg Betz	4.000	0
Michael Schilling	0	0
Dr. Andreas Urban	0	0
Michael Willems	0	0
Dr. Andreas von Zitzewitz	220	0
Dr. Stefan Reineck	5.000	75.000
Joachim Eppinger	0	50.000

[1] The members of the Supervisory Board do not participate in the stock option plans of STEAG HamaTech AG.

4.9 DECLARATION OF THE GERMAN CORPORATE GOVERNANCE CODE

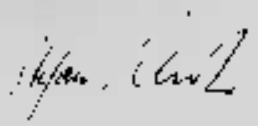
On December 20, 2004, the Management Board and the Supervisory Board of STEAG HamaTech AG amended the prior year's initial declaration of the German Corporate Governance Code in accordance with Article 161 AktG. The shareholders may access the declaration at all times under the Internet homepage, www.steag-hamatech.com.

4.10 REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

The remuneration amount of members of the Management Board of STEAG HamaTech AG amounted to T€ 595 in 2004. This amount comprises of fix salaries amounting to T€ 572 and bonuses amounting to T€ 23. Additionally the stock options granted to the Management Board in fiscal year 2002 had a negative impact on the net result of fiscal year 2004 in an amount of T€ 35.

Sternenfels, March 8, 2005

STEAG HamaTech AG



Dr. Stefan Reineck
Chief Executive Officer

Joachim Eppinger
Chief Financial Officer

REPORT OF THE **INDEPENDENT AUDITOR**

We have audited the accompanying consolidated financial statements of STEAG HamaTech AG, Sternenfels, as of December 31, 2004, consisting of the balance sheet, income statement, statement of equity changes, the cashflow statement and the notes to the consolidated financial statements based on the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

We have conducted our audit of the consolidated financial statements in accordance with German audit regulations for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the audit, the consolidated financial statements referred to above present fairly in all material respects, the net assets and financial position of the Group as of December 31, 2004 and the results of its operations and its cashflow for the year then ended in conformity with International Financial Reporting Standards (IFRS).

Our audit has not led to any reservations.

Our audit which also extends to the Group management report prepared by management for the business year from January 1 to December 31, 2004 has not led to any reservations. In our opinion, the Group management report together with the other disclosures in the consolidated financial statements provide on the whole a suitable understanding of the Group's position and suitably present the risks of future development.

Düsseldorf, March 10, 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Dr. Heintges)
Wirtschaftsprüfer
(German Certified Public Accountant)

(ppa. Neu)
Wirtschaftsprüfer
(German Certified Public Accountant)

GLOSSARY

OPTICAL DISC | ADVANCED PROCESS EQUIPMENT

ADVANCED PACKAGING	Wire-bonding alternative technology for electrical bonding of integrated circuits.
BACK-END	The second part of the production chain for manufacturing micro-chips: this follows completion of the switching circuit on the wafer. This matter primarily concerns the wafer's contacting and packaging until the finished component is tested.
BLU-RAY	The third generation of optical storage media with a capacity of up to 25 gigabytes per layer. Blu-ray functions with a blue laser in contrast to the present formats (red laser).
BONDING	Bonding of both 0.6 mm thick polycarbonate layers of a DVD via acrylic lacquer hardened under UV-light.
BUMPING	A modern method of contacting microchips to enable easier conductive bonding with the casing and packaging.
CD	Compact Disc: optical storage medium to record digital information for the application in audio, video and PC market with diverse variations.
CD-R	CD-Recordable: the CD-R can only write one time to store digital information via a "writer".
CD-RW	CD-ReWriteable: information can be written more than once and deleted.
CHIP-PACKAGING	A method to bond and package microchips conductively to casings.
COATING	Coating process, i.e. sealing of a CD with a protective coating in the production of optical storage media.
COATING	Coating of a photosensitive lacquer or protective coating.
DVD	Digital Versatile Disc: optical storage medium; subsequent format to the CD that offers a much higher storage capacity.
DVD/R	DVD-Recordable: DVD/R may only be written once to store digital information via a "writer"; the DVD/R works similar to the CD-R and is produced as a DVD+R and DVD-R.
DVD-RW	DVD-ReWriteable: optical storage medium, may be written more than once and deleted again.
DYE	Coating of a crystal dye onto a polycarbonate disc, applied in the CD-R and DVD/R production and is written via a laser beam.
DEVELOPMENT	The process of stripping an exposed structure of photo coating from a substrate material, e.g. photomasks, wafers.
EUV	**E**xtreme **U**ltra**v**iolet: future photomask technology based on an exposure frequency of 13 nm. The decisive difference of this technology to other current mask technologies is that the mask type is based on reflectance and not on transmission.
FRONT-END	The first part of the production chain for manufacturing micro-chips, during which a blank wafer will be processed into a finished wafer (before splitting the wafer into the individual micro-chips). The manufacture of further devices such as photomasks for producing wafers is also part of this process in a wider sense.
HD-DVD	A **H**igh-**D**ensity **D**igital **V**ersatile **D**isc. The third generation of optical storage media with a capacity of up to 15 gigabytes per layer. The HD-DVD functions with a blue laser, in contrast to the present formats (red laser).
LITHOGRAPHY	A method to structure the surface via photo-sensitive coating and exposure; in several steps the structured surface is specifically treated (e.g. etched, coated, implanted) and the remaining coat serves as the mask.
MEMS	**M**icro **E**lectro-**M**echanical **S**ystem or microstructure system; miniaturized mechanical or electro-mechanical system; mostly produced with similar procedures such as in microelectronics, e.g. lithography.
METALLIZING	Sputtering procedure for metal film, removed by an electronic beam from a target material Atom, and applied to the covered material. (Cathode Sputtering Technology)
PHOTORESIST	Photoresist refers to a light-sensitive lacquer, used in the semiconductor industry for the manufacturing of photomasks and for the production of structures on semiconductor material.
SCANNER	Equipment that inspects the surface of the optical storage medium for errors with respect to the quality inspection process.
WAFER	A silicon wafer, which serves as the carrying material to the microchips. It has a radius of up to 300 mm. The wafer is a crystal with almost an undamaged crystal construction and of pure quality.

FINANCIAL CALENDAR / IMPRINT

FINANCIAL CALENDAR

May 3, 2005	INTERIM REPORT FOR 1ST QUARTER OF 2005
May 20, 2005	GENERAL MEETING
August 5, 2005	INTERIM REPORT FOR 2ND QUARTER OF 2005
August 5, 2005	DVFA ANALYSTS' PRESENTATION
November 4, 2005	INTERIM REPORT FOR 3RD QUARTER OF 2005

IMPRINT

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