



Micronic reports profit for first nine months 2004 First Sigma7300 system selected

Täby, Sweden, October 21, 2004 - Micronic Laser Systems AB (Stockholm Stock Exchange's "Attract 40 list": MICR) today presented the Group's Interim Report for January 1 - September 30, 2004.

- Order intake during the first nine months of 2004 was SEK 739 (589) million, of which the third quarter order intake was SEK 350 (171) million.
- Net sales during the first nine months reached SEK 417 (238) million, of which SEK 176 (118) million relates to the third quarter.
- Result after financial items for the first nine months was SEK 28 (-101) million, of which SEK 53 (-4) million relates to the third quarter.
- Net result for the reporting period was SEK 18 (-73) million, which is equivalent to SEK 0.47 (-2.96) per share. The third quarter net result amounted to SEK 37 (-3) million, equivalent to SEK 0.95 (-0.08) per share.
- Closing order book was SEK 1,079 (573) million.

"Micronic continued to perform well in every respect during the third quarter. Order intake remained strong and also includes orders from the semiconductor market. Net sales are up, third quarter gross margin exceeded 60 percent, development expenditures have decreased and the company has shown a profit not only for the quarter but also for the entire reporting period," said Sven Lofquist, president and CEO of Micronic Laser Systems AB.

"We foresee continued robust order intake in the display market throughout 2004, but then anticipate a slight slowdown. For the full year 2004 we stand by our expectation, implying powerful sales growth during the final quarter of the year," Lofquist said.

"Direct development of Sigma7300 has now been completed and our development expenses are decreasing as a result. Technical evaluation of the installed system has been concluded, which means that the system is selected by the customer and will be invoiced during the fourth quarter," Lofquist said.

"In the third quarter we also delivered our 100th system, which was shipped to Japan. This, together with our 10th anniversary in the Japanese market, was commemorated with a well-attended seminar in Japan.

All in all, the company is developing fully in line with our expectations. We are pleased that the Sigma technology is now established in the market and we look forward to the coming quarters with confidence," Lofquist concluded.

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Third quarter key events

- Micronic received two double orders, each for one LRS15000 pattern generator to be used in production of TFT-LCD photomasks and one MMS15000 mask metrology system for advanced display photomask measurement. Together, the systems provide a powerful combination for production and measurement of TFT-LCD display masks.
- Micronic received orders for two Omega6600 laser photomask pattern generators for use in volume production of semiconductor applications.
- Micronic received order for an MP80+ multi-purpose laser pattern generator from a Korean company.
- Micronic has installed its 100th system, of which the latest was a pattern generator for advanced TFT photomasks in Japan, and celebrated the company's 10th anniversary in the Japanese market by holding a customer event, the Micronic Hyaku Seminar, at the Swedish embassy in Tokyo.

Key events prior to the third quarter

- Micronic received orders for three MMS15000 mask metrology systems, a system first introduced in October 2003.
- Micronic received orders for three laser pattern generators from the LRS series to be used in production of advanced TFT-LCD masks.
- Micronic was named 2003 Supplier of the year by Microchip Technology for outstanding quality, reliability and service.
- Micronic decided to build up its own sales organization to ensure direct customer contact. As a result of this decision, the distribution agreement with Hakuto in Japan was terminated on January 25, 2004.
- Micronic established a back-up credit facility of SEK 190 million.

Key events after reporting period

- Micronic received order for an LRS laser pattern generator to be used in production of advanced TFT-LCD photomasks.
- Technical evaluation of the installed Sigma7300 system has been concluded. This means that the system is selected by the customer and will be invoiced during the fourth quarter.



Markets and Micronic's products

Semiconductors

The third quarter of 2004 was characterized by continued strong semiconductor chip sales and high capacity utilization. Annual growth in chip sales between 2003 and 2004 is projected at around 28 percent (Semiconductor Industry Association (SIA), September 2004).

Gartner Dataquest expects (October 2004) spending on capital equipment for IC manufacturing to rise 66 percent in 2004 compared with 2003 and to stay almost flat in 2005.

Merchant mask suppliers are also benefiting from strong growth in the semiconductor industry. Various analysts have forecasted 14-18 percent growth in merchant mask sales during 2004 and similar growth in 2005. Merchant mask shops produce about 75 percent of all masks world-wide. However, the majority of leading-edge masks, sub-130 nanometer technology node, are manufactured by captive mask shops owned by a few leading chip makers.

According to International SEMATECH (September 2004), sub-130 nanometer node masks make up only a few percent of the total mask volume. In spite of this, most mask writer investments target development at the 90 and 65 nanometer nodes, with investments equally divided between captive and merchant mask shops. The previous excess capacity among merchant mask shops is now being successively filled, which is generating investments to boost production capacity in the mainstream segments.

Both captive and merchant mask manufacturers are continuing to evaluate Micronic's Sigma7300 system for the most advanced technology nodes, 90 and 65 nanometer.

The Sigma7300 offers shorter and more predictable write times than competing electron beam mask writers. This results in a lower mask cost, but also allows faster cycle times in IC development. For volume chip manufacturing, fast cycle times are of equal economic significance as mask costs.

The Omega6000 products are used for volume production of mainstream photomasks and for applications such as image sensors for cameras and small TFT displays.

At the beginning of October, it was announced that the Japanese merchant mask maker Toppan Printing Co. Ltd. had agreed to acquire DuPont Photomasks Inc. According to 2003 market data (The Information Network), the two mask suppliers would have a combined market share of 36.7 percent. Dai Nippon Printing Co. Ltd. (DNP) is with 28.5 percent and Photronics Inc. is third with 19.8 percent.

Display

The strong demand for TFT-LCD displays in the consumer segment has led to a large number of TFT fab investments over the past year, and a great deal of new manufacturing capacity is now coming on-line. This growth in efficiency and capacity is leading to an increased supply and thus lower prices for TFT-LCD displays and, therefore, also an increased market share for both monitors and LCD-TVs. Price reductions are also being seen for PDP displays, reinforcing the shift from traditional CRT to flat panel TVs. The trend among TFT-LCD panel manufacturers to speed up completion of new factories has slackened somewhat.

Demand for TFT-LCD masks remains strong. This is also reflected in continued strong demand for display pattern generators and metrology systems.

Multi Purpose

Sales of Multi Purpose systems account for a relatively small share of Micronic's sales. These systems are used for many different applications, including advanced packaging and PM-LCDs. Micronic's products target high-end applications, where systems with superior writing quality are required. Technology synergies with display writers allow the MP systems to evolve as market requirements increase.



Financial information

Accounting principles

This interim report includes the Micronic Group, in which the parent company normally accounts for approximately 90 percent of net sales. All system sales are made in Sweden, while the subsidiaries offer service and customer support. The financial report has been prepared according to the recommendations of by the Swedish Financial Accounting Standards Council. The same accounting principles have been applied as in the most recent annual report.

Order intake, invoiced sales and order backlog

Order intake, consisting of new systems and service, amounted to SEK 739 (589) million during the first nine months of 2004. Third quarter order intake reached SEK 350 (171) million. In the first nine months, Micronic received orders for 13 new systems, five mask metrology systems MMS, five systems from the LRS series, two Omega6600 and one MP80+ system.

Closing order book amounted to SEK 1,079 (573) million, with expected shipment in 2004 and 2005.

Net sales for the first nine months, consisting of systems and service sales, amounted to SEK 417 (238) million, of which SEK 176 (118) million applies to the third quarter.

Operating expenses and profitability

Operating results for the first nine months of 2004 amounted to SEK 30 (-99) million. The third quarter operating results were SEK 55 (-4) million.

Operating expenses for the first nine months amounted to SEK 387 (337) million, including costs of goods sold of SEK 177 (175) million, R&D costs of 102 (73) million, selling and administration expenses of 105 (70) million and other costs of SEK 3 (19) million. Selling and administration expenses include sales commissions of SEK 26 (9) million.

Gross profit is charged with direct costs of goods sold and fixed production costs. Gross profit for the first nine months amounted to SEK 240 (63) million, which is equivalent to a gross margin of approximately 58 (26) percent. Gross margin reached 62 (42) percent in the third quarter.

R&D costs during the first nine months of 2004 were charged to operating result in the amount of SEK 102 (73) million. Furthermore, development expenditures of SEK 104 (121) million have been capitalized and reported as intangible fixed assets. Capitalization takes place after individual valuation of all ongoing research and development projects. Amortization of capitalized development expenditure begins when the respective development project starts to generate revenue. In the first nine months, operating results were charged with amortization of SEK 8 (2) million.

Total research and development expenditures during the first nine months amounted to SEK 198 (192) million. These costs are largely related to development of the Sigma7300 for semiconductor applications. Expenditures in the display area pertain mainly to development of the new metrology system, MMS, and development of the new generation of LRS laser pattern generators for production of advanced displays.

Other operating expenses during the reporting period amounted to SEK 3 (19) million, and consisted mainly of negative exchange differences arising from the translation of operating balance sheet items into Swedish kronor.



Earnings per share

Consolidated net results for the first nine months are reported at SEK 18 (-73) million. The total number of shares at the end of the period was 39,166,616. After full theoretical dilution, the number of shares would amount to 39,307,016. Each share has a par value of SEK 1.

Earnings per share based on the average number of shares during the period amounted to SEK 0.47 (-2.96). Due to the difference between the exercise price of warrants and the current share price, dilution has not been taken into consideration in calculating earnings per share.

Investments

During the first nine months of 2004, Micronic spent SEK 114 (172) million on investments in tangible and intangible fixed assets. Of this total, SEK 104 (121) million relates to capitalized development expenditures, while SEK 10 (50) million relate to investments in machinery and equipment.

Cash flow, liquid funds and financial position

The Group's liquid funds amounted to SEK 73 (531) million at the end of the third quarter, a decrease of SEK 515 million during the first nine months of 2004. SEK 109 million was used in operating activities. Investments amounted to SEK 114 million, of which SEK 104 million referred to capitalized development expenditures and SEK 10 million was invested in tangible fixed assets. Amortization of the convertible debenture loan amounted to SEK 320 million and amortization of other loans to SEK 11 million. In the second quarter the company negotiated a back-up credit facility of SEK 190 million, of which SEK 40 million was utilized during the third quarter.

Transition to IFRS

Micronic is continuing its efforts to make the transition to IFRS, International Financial Reporting Standards. The recommendations with the greatest impact on the Group's result and financial position have already been implemented. However, the recommendation for *Property, plant and equipment* may have minor effect.

Future outlook

The strong market for display pattern generators and metrology systems is expected to continue throughout the year, but then anticipate a slight slowdown. The market for semiconductor masks has recovered, with rising demand for pattern generators.

The Board of Directors' previous expectation regarding order intake and sales is unchanged, meaning a continued strong order intake during the second half of 2004 and sales for the full year to well exceed the record year 2000 (SEK 704 million).



Future reports

Year-end financial statement 2004	February 11, 2005
Annual General Meeting	April 5, 2005
Interim report January – March 2005	April 20, 2005
Interim report January – June 2005	July 8, 2005
Interim report January – September 2005	October 20, 2005

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Sven Lofquist, President and CEO

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REVIEW REPORT

We have reviewed this interim report in accordance with the recommendation issued by FAR (the institute for the accounting profession in Sweden). A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, October 21, 2004

Anders Ostberg
Authorized Public Accountant

Per Fridolin
Authorized Public Accountant

Micronic Laser Systems is a Swedish high-tech company engaged in the development, manufacture and marketing of a series of extremely accurate laser pattern generators for the production of photomasks. The technology involved is known as microlithography. Micronic's product offering also includes metrology systems for display photomasks. Micronic's systems are used by the world's leading electronics companies in the manufacture of television and computer displays, semiconductor circuits and semiconductor packaging components. Micronic is located in Taby, north of Stockholm, and currently has subsidiaries in the United States, Japan and in Taiwan. The company has 390 employees. Visit Micronic's web site at: <http://www.micronic.se>

**PROFIT AND LOSS ACCOUNTS, Group**

SEK million	July-Sept, 04	July-Sept, 03	Jan-Sept, 04	Jan-Sept, 03	Jan-Dec, 03	Rolling 12 months Oct-Sept
Net sales	175.8	117.6	417.1	237.7	428.0	607.5
Cost of good sold	-67.7	-68.1	-176.9	-174.8	-263.5	-265.6
Gross profit	108.1	49.5	240.2	62.9	164.5	341.9
Research & Development	-21.8	-28.2	-102.5	-72.9	-123.5	-153.1
Selling and administration expenses	-32.5	-26.2	-104.8	-69.9	-110.3	-145.2
Other income and expenses	0.9	0.7	-2.7	-19.2	-124.6	-108.1
Operating result	54.7	-4.2	30.2	-99.1	-193.9	-64.5
Result from financial investments	-2.0	0.2	-2.1	-1.9	0.1	-0.1
Result after financial items	52.7	-4.0	28.1	-101.0	-193.8	-64.6
Tax	-15.3	1.1	-9.8	27.8	35.1	-2.5
Net result for the period	37.4	-2.9	18.3	-73.2	-158.7	-67.1
Earnings/share before dilution, SEK	0.95	-0.08	0.47	-2.96	-5.59	-1.71
Earnings/share after dilution, SEK	0.95	-0.08	0.47	-2.96	-5.59	-1.71
No. of shares before dilution, thousands	39,167	35,689	39 167	24,767	28,398	39,167
Average no. of shares after full theoretical dilution, thousands	39,834	37,708	40,522	26,844	41,666	40,610

CASH FLOW, Group

SEK million	July-Sept, 04	July-Sept, 03	Jan-Sept, 04	Jan-Sept, 03	Jan-Dec 03	Rolling 12 months July-June
Cash flow from operating activities						
change in working capital	67.2	15.3	76.1	-77.2	-50.1	103.2
Change in working capital	-88.4	19.2	-185.3	134.5	220.0	-59.8
Cash flow from operating activities	-21.2	34.5	-109.2	57.3	169.9	43.4
Cash flow from investing activities	-33.8	-31.4	-113.9	-169.0	-217.6	-162.5
Cash flow from financing activities	-286.4	324.8	-291.5	355.4	348.1	338.8
Increase/Decrease in liquid funds	-341.4	327.9	-514.6	243.7	300.4	-457.9
Opening liquid funds	414.3	202.9	587.5	287.1	287.1	530.8
Closing liquid funds	72.9	530.8	72.9	530.8	587.5	72.9

KEY FIGURES, Group

	Jan-Sept, 04	Jan-Sept, 03	Jan-Dec, 03
Profit margin	6.7%	-42.5%	-45.3%
Return on shareholders' equity	2.3%	-9.7%	-22.2%
Equity/total assets	58.8%	54.8%	48.7%
Equity/share before dilution, SEK	20.9	35.7	28.12
Average no. of employees	367	331	312
Capital expenditure, gross			
Intangible fixed assets	103.9	121.4	174.7
Buildings	-	-	-
Machinery and equipment	10.0	50.5	53.7

BALANCE SHEET, Group

SEK, million	Sept 30, 04	Sept 30, 03	Dec 31, 03
ASSETS			
Fixed assets			
Intangible fixed assets	401.2	273.8	311.6
Other fixed assets	311.0	321.6	349.2
Total fixed assets	712.2	595.4	660.8
Current assets			
Inventories	441.0	362.0	295.3
Current receivables	162.8	126.5	96.9
Cash and bank	72.9	530.8	587.6
Total current assets	676.7	1,019.3	979.8
Total assets	1,388.9	1,614.7	1,640.6
EQUITY AND LIABILITIES			
Equity			
Restricted equity	902.4	910.8	902.4
Non-restricted equity	-85.8	-26.7	-103.9
Total equity	817.0	884.1	798.5
Provisions	0.6	4.3	0.6
Long-term interest-bearing liabilities	125.5	148.3	137.2
Other long-term liabilities	2.8	2.1	2.2
Convertible loan, short term	-	320.0	320.0
Other liabilities	443.0	255.9	382.1
Total liabilities	571.3	724.2	841.5
Total equity and liabilities	1,388.9	1,614.7	1,640.6

SEGMENT REPORTING, Group

SEK, million	Jan-Sept 04	Jan-Sept 03	Jan-Dec 03
Net sales by geographical market			
Europe	0.7	1.5	2.0
USA	13.5	13.0	17.3
Asia	402.9	223.2	408.7
	417.1	237.7	428.0
Assets as per Sept 30, 2004	Europe	USA	Asia
Intangible fixed assets	401.2	-	-
Tangible fixed assets	304.5	1.5	5.1
Inventories	411.8	4.4	24.8
Other assets	146.6	3.6	12.6
Cash and bank	54.0	4.7	14.1
	1,318.1	14.2	56.6
Investments, Jan-Sept 2004			
Intangible fixed assets	103.9	-	-
Tangible fixed assets	8.0	0.6	1.4
	111.9	0.6	1.4
Assets as per December 31, 2003	Europe	USA	Asia
Intangible fixed assets	311.6	-	-
Tangible fixed assets	289.8	1.3	2.7
Inventories	279.9	2.3	13.1
Other assets	134.2	4.9	12.7
Cash and bank	572.1	5.7	9.7
	1,587.6	14.2	38.2
Investments, 2003			
Intangible fixed assets	174.7	-	-
Tangible fixed assets	51.3	0.1	2.3
	226.0	0.1	2.3

During the second quarter, floating charges related to guarantees for advance payments were taken out in the amount of SEK 28 million. Total floating charges amounted to SEK 89 million as per September 30.

EQUITY, Group

SEK million	Sept, 04			Sept, 03		
	Restricted equity	Non-restricted equity	Total	Restricted equity	Non-restricted equity	Total
Opening balance	902.4	-103.9	798.5	582.9	48.4	631.3
New issue of warrants				12.5		12.5
New issue, net after transaction costs				315.8		315.8
Change in accumulated exchange differences, etc.	0.4	-0.2	0.2	-0.4	-1.9	-2.3
Net result for the period		18.3	18.3		-73.2	-73.2
Closing balance	902.8	-85.8	817.0	910.8	-26.7	884.1