



Micronic reports strong third quarter and highest order intake ever

Täby, Sweden, October 20, 2005 - Micronic Laser Systems AB (Stockholm Exchange's "Attract 40 list": MICR) today presented the Group's Interim Report for January 1 – September 30, 2005.

- Order intake for the first nine months reached a record SEK 1,143 (739) million, including third quarter order intake of SEK 586 (350) million.
- Net sales for the first nine months are reported at SEK 693 (417) million, of which SEK 303 (176) million referred to the third quarter.
- Operating profit for the first nine months was SEK 10 (29) million, of which the third quarter operating profit was SEK 57 (54) million.
- Operating profit adjusted for capitalization and amortization of development costs was SEK 99 (-67) million for the first nine months and SEK 81 (28) million for the third quarter.
- Profit after tax for the first nine months was SEK 3 (17) million, or SEK 0.07 (0.44) per share. Third quarter profit after tax was SEK 39 (37) million, or SEK 1.01 (0.94) per share.
- The order backlog at 30 September was SEK 1,297 (1,079) million.

“In view of continued powerful growth in the display market, we have revised our full-year assessment for order intake. With a strong order intake through the third quarter and orders received after the end of the period, we have already reached our minimum target for the full year,” says Sven Lofquist, President and CEO of Micronic Laser Systems.

“Gross margin recovered in line with expectations after the second quarter, at 59 percent for the third quarter and 53 per cent for the first nine months of the year. Third quarter operating margin was 19 percent, and we achieved a positive result for the entire nine-month period. It should be noted that operating margin adjusted for capitalization and amortization reached 27 percent for the third quarter and exceeded 14 percent for the first nine months”, adds Sven Lofquist.

“The ongoing installations of two Sigma systems are proceeding smoothly and our launch of the Sigma7500 was carried out in connection with the year's major photomask conference in the USA. At the conference the first customer presented additional positive experiences of Sigma” says Sven Lofquist.

“We are continuing to meet our goals thanks to the unflagging dedication of our employees and a consistent focus on lead times and quality. We have now entered the fourth quarter, traditionally the company's strongest, and look forward to the end of the year with confidence,” concludes Sven Lofquist.

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Third quarter key events

- Micronic received orders for
 - five LRS series laser pattern generator for the production of advanced TFT-LCD photomasks.
 - an MMS15000 metrology system for display photomasks.
 - an MP series laser pattern generator for electronic packaging applications.
- Micronic opened a technical support center in Tokyo for the Asian market. The center will offer technical support to both display and semiconductor customers throughout the region and represents an important step in Micronic's Asian expansion.

Key events prior to the third quarter

- Micronic received orders for five LRS15000 laser pattern generators to be used in production of advanced TFT-LCD displays and an MMS15000 metrology system for display photomasks.
- Micronic signed an agreement to work on advanced chip applications with a leading global semiconductor maker. As part of the agreement, Micronic will install a Sigma7300 system at one of the company's production facilities.
- Micronic introduced two new laser pattern generators in the Omega series.

Key events after the end of the third quarter

- Micronic launched the Sigma7500, thereby setting a new standard for productivity and performance in manufacturing of advanced semiconductor photomasks.
- Micronic received an exchange order, under which the customer will take delivery of an LRS series laser pattern generator in exchange for a previously ordered metrology system MMS15000.

Markets and Micronic's products

Semiconductors

Semiconductor industry investments in manufacturing equipment are expected to be relatively stable in 2005 and almost reach the same level as in 2004. In 2006 investments are expected to rise back to 2004 level. Market analysts predict annual growth in chip sales at 5 to 10 percent for 2005 and 2006.

Micronic estimates that as production volumes in the advanced nodes begin to accelerate, productivity will become a dominant parameter. In line with productivity requirements from the industry, Micronic introduced a new product, the Sigma7500, at the recently concluded BACUS (the major photomask industry symposium). While the average patterning time for advanced photomasks is in the range of 8 hours, the Sigma7500 can complete the task in less than 2 hours. The introduction of the Sigma7500 was well received at the BACUS event.

The advanced Sigma7500 is well aligned with Micronic's Omega6800 and Omega6080 products. The Omega tools target mainstream chip technologies and image sensor applications for digital cameras and camera phones.



Display

With relatively stable pricing during 2005 and increasing shipments, TFT-LCD manufacturers are reaching record revenues. The countries with the largest market share, Korea and Taiwan, showed 68 percent year-on-year revenue growth in August (DisplaySearch September 2005). The larger manufacturers have now returned to profitability with increasing shipments more than compensating the drop in prices from 2004.

LCD-TV continues to be the primary driver for investments in new production capacity, and August 2005 saw a year-on-year tripling in LCD-TV shipments by Taiwanese and Korean manufacturers. The LCD-TV share of large area display shipments rose from 7.2 percent in August 2004 to 12.5 percent in August 2005. As earlier, LCD monitors are the largest application and account for 58.4 percent of all shipments. (DisplaySearch, September 2005).

With several mask shops opening new sites closer their customers in Korea and Taiwan and in pace with the increasing mask sizes of new TFT generations, demand for Micronic's LRS laser pattern generators and MMS metrology systems remains strong.

Multi Purpose

Advanced electronic packaging technology keeps moving to smaller structures with line widths below ten microns, which is raising the requirements on laser pattern generators. Micronic's MP80+ systems are well suited for these applications with their combination of high image quality and throughput.

Comments on the Group result and financial position

Order intake, order backlog and invoiced sales

Order intake, consisting of systems and service, for the first nine months reached SEK 1,143 (739) million, of which SEK 586 (350) million referred to the third quarter.

Micronic has received orders for laser pattern generation tools for the manufacturing of advanced display photomasks and for metrology systems.

The order backlog, amounting to SEK 1,297 (1,079) million at the end of the period, consists of systems scheduled to ship during 2005 and 2006.

Net sales amounted to SEK 693 (417) million for the first nine months and SEK 303 (176) million for the third quarter. Sales included both systems and service.

Operating costs and operating profit

Operating profit for the first nine months of 2005 was SEK 10 (29) million. For the third quarter operating profit was SEK 57 (54) million.

Operating expenses in the first nine months totalled SEK 682 (388) million. Cost of goods sold amounted to SEK 325 (177) million. Gross margin was 53 (57) percent for the first nine months and 59 (61) percent for the third quarter. Gross profit was charged with direct costs for delivered goods and services, as well as certain fixed costs for production overhead.

Research and development costs of SEK 229 (103) million were charged to operating profit for the first nine months of the year. Total research and development expenditure continued to decrease and is reported at SEK 140 (199) million for the first nine months, of which SEK 44 (48) million refers to the third quarter. Aside from this, operating profit was charged with amortization of previously capitalized development costs of approximately SEK 97 (8) million. All development projects are assessed individually to determine whether capitalization is appropriate. In 2005, development projects were capitalized in an amount of around SEK 8 million and relates entirely to the third quarter. Capitalization of development costs during the first nine months 2004 amounted to approximately SEK 104 million.



Operating profit for the period adjusted for capitalization and amortization of development costs was SEK 99 (-67) million, an improvement of SEK 166 million. The adjusted operating profit represents a margin of 14 (-16) percent.

Selling and administrative expenses for the first nine months amounted to SEK 139 (105) million, including sales commissions of SEK 54 (26) million.

Other income and expenses for the first nine months amounted to SEK 11 (-3) million and consisted of realized exchange gains and positive exchange differences arising from the translation of operating balance sheet items into Swedish kronor. The effect of accounting for derivatives in compliance with IAS 39 amounted to around SEK 5 million for the first nine months and around SEK 1 million for the third quarter and is part of operating profit.

Earnings per share

Consolidated profit after tax for the first nine months was SEK 3 (17) million. The total number of shares is 39,166,616. After full theoretical dilution, the number of shares would be 39,307,016. The par value of the share is SEK 1. Earnings per share calculated on the average number of shares amounted to SEK 0.07 (0.44). With consideration to the maximum dilution effect, earnings per share would be SEK 0.07 (0.42).

Capital expenditure

The Group's capital expenditure during the first nine months totalled SEK 26 million. Investments attributable to capitalization of development costs amounted to SEK 8 million. Other investments referred to tangible assets. Micronic has opened a technical support center in Tokyo to serve the entire region. At the center, customers will have the opportunity to test Micronic's technology and take part in training programs.

Cash flow, liquid funds and financial position

The Group's liquid funds at the end of the reporting period totalled SEK 238 million. Loans were amortized in a net amount of approximately SEK 13 million during the period. In addition, liabilities relating to finance leases were reduced by around SEK 10 million. Including changes in working capital, operations used approximately SEK 19 million during the first nine months of 2005. Cash flow for the period was negative and amounted to SEK -70 million. Third quarter cash flow was negative at SEK -73 million. This is partly explained by strong sales during the third quarter, which led to an increase in accounts receivables.

Personnel

The average number of employees in the Group during the first nine months amounted to 417. The number of employees in the Group at the end of the period was 437.

Corporate governance

The Swedish Code of Corporate Governance went into effect on July 1, 2005. Micronic is covered by the Code and is working actively to meet the recommendations it contains. In its annual report for 2004, Micronic presented the company's corporate governance practices. During the current year Micronic's corporate governance is being adapted for full Code compliance. The corporate website provides more detailed information about Micronic's application of the Code.

By decision of the AGM, the Nominating Committee shall consist of five members representing the four largest shareholders at September 30 and the Chairman of the Board. After the end of September, Board Chairman Lars Nyberg contacted the four largest shareholders in Micronic to each appoint a member to the Nominating Committee.

The Nominating Committee consists of the following individuals:

Annika Andersson, Fourth Swedish National Pension Fund
Marianne Nilsson, Robur Funds
Ulf Stromsten, Catella Capital
Henrik Soderberg, Life Insurance Skandia

Future outlook

Rapid growth in the underlying display market is expected to continue, with positive effects on the market for pattern generators. Sales of pattern generators and metrology systems to the display market are expected to remain strong in the first half of 2006.

The market for pattern generators for the semiconductor industry is now mainly driven by the number of advanced design starts and the introduction of technological developments, both for the most advanced 65-45 nanometer technology nodes and for more established nodes. Acceptance of the Sigma technology now being launched by Micronic is gradual. Micronic's business opportunities will increase in pace with adoption of this technology by the leading players in the industry.

The Board's expectations for order intake and sales remain unchanged (after the revised assessment that was announced in a press release on October 3, 2005). This means that order intake for the full year 2005 is expected to exceed SEK 1,200 million and sales for the full year to pass the SEK 1,000 million mark.

Future reports

Full year 2005 report	January 26, 2006
Annual General Meeting	March 30, 2006, at 5 pm, Nasby Slott
Interim report January – March 2006	April 20, 2006
Interim report January – June 2006	July 7, 2006
Interim report January – September 2006	October 19, 2006

Täby, October 20, 2005
Micronic Laser Systems AB (publ.)

Sven Lofquist, President and CEO

REVIEW REPORT

We have reviewed this interim report in accordance with the recommendation issued by FAR.

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 20, 2005

Anders Ostberg
Authorised public accountant

Per Fridolin
Authorised 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 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 Täby, north of Stockholm and at present has subsidiaries in the United States, Japan and in Taiwan. The company has 437 employees. Micronic maintains a web site at: <http://www.micronic.se>

Financial reports

PROFIT AND LOSS ACCOUNTS

SEK million	July-Sep, 05	July-Sep, 04	Jan-Sep, 05	Jan-Sep, 04	Jan-Dec, 04	Rolling 12 months
Net sales	302.9	175.7	692.9	417.0	839.5	1,115.3
Cost of good sold	-125.4	-67.8	-324.6	-177.4	-370.8	-517.9
Gross profit	177.5	107.9	368.3	239.6	468.7	597.4
Research & development	-67.7	-22.1	-229.2	-103.2	-177.4	-303.4
Sales, G & A	-50.3	-32.6	-139.4	-105.1	-161.5	-195.9
Other income/costs	-2.6	0.9	10.8	-2.7	-4.3	9.3
Operating result	56.9	54.1	10.5	28.6	125.5	107.4
Result from financial investments	-1.6	-1.9	-5.2	-2.0	-5.2	-8.4
Result after financial items	55.3	52.2	5.3	26.6	120.3	99.0
Tax	-15.9	-15.2	-2.5	-9.4	-11.9	-4.9
Net result for the period	39.4	37.0	2.8	17.2	108.4	94.1
Earnings/share before dilution, SEK	1.01	0.94	0.07	0.44	2.77	2.40
Earnings/share after dilution, SEK	1.00	0.93	0.07	0.42	2.70	2.39
Average number of shares before dilution, thousands	39,167	39,167	39,167	39,167	39,167	39,167
Average number of shares after full dilution, thousands	39,307	39,834	39,307	40,522	40,217	39,307

CASH FLOW

SEK million	July-Sep 05	July-Sep 04	Jan-Sep 05	Jan-Sep 04	Jan-Dec 04	Rolling 12 months
Cash flow from operations before change in working capital	100.3	67.2	162.0	76.1	233.3	313.6
Change in working capital	-175.5	-88.4	-181.0	-185.3	-244.3	-234.4
Cash flow from operations	-75.2	-21.2	-19.0	-109.2	-11.0	79.2
Cash flow from capital expenditure	-8.8	-33.8	-25.8	-113.9	-137.6	-49.5
Cash flow from financing	10.7	-286.4	-25.6	-291.5	-131.6	134.3
Increase/Decrease in liquid funds	-73.3	-341.4	-70.4	-514.6	-280.2	164.0
Opening liquid funds	310.8	414.3	306.2	587.5	587.6	72.9
Exchange rate differences in liquid funds	0.1		1.8		-1.2	0.7
Closing liquid funds	237.6	72.9	237.6	72.9	306.2	237.6

RESEARCH AND DEVELOPMENT

SEK million	July-Sep 05	July-Sep 04	Jan-Sep 05	Jan-Sep 04	Jan-Dec 04	rolling 12 months
R&D expenditure	-43.6	-48.2	-140.5	-199.1	-259.4	-201.1
Capitalized development	8.2	29.5	8.2	103.9	117.4	21.9
Amortization on capitalized development	-32.3	-3.4	-96.9	-8.0	-35.4	-124.2
Reported R&D costs	-67.7	-22.1	-229.2	-103.2	-177.4	-303.4

BALANCE SHEETS

SEK million	30 Sep, 05	30 Sep, 04	31 Dec, 04
ASSETS			
Intangible fixed assets	290.4	401.2	385.3
Other fixed assets	294.9	311.4	332.7
Total fixed assets	585.3	712.6	718.0
Current assets			
Inventories	510.2	441.0	344.4
Current receivables	400.5	162.8	203.2
Liquid funds	237.6	72.9	306.2
Total current assets	1,148.3	676.7	853.8
Total assets	1,733.6	1,389.3	1,571.8
EQUITY AND LIABILITIES			
Equity			
Restricted equity	897.8	902.8	896.1
Non-restricted equity	11.3	-85.5	11.8
Total equity	909.1	817.3	907.9
Interest-bearing liabilities to credit institutions	115.0	125.5	125.5
Other interest-bearing long-term liabilities	186.8	0.0	180.1
Other long-term liabilities	4.1	3.5	2.9
Interest-bearing short-term liabilities	60.1	117.8	73.0
Other liabilities	458.5	325.2	282.3
Total liabilities	824.5	572.0	663.8
Total equity and liabilities	1,733.6	1,389.3	1,571.8

KEY FIGURES

	Jan-Sep 05	Jan-Sep 04	Jan-Dec 04
Gross margin	53%	57%	56%
Operating margin	2%	7%	15%
Operating margin, adjusted	14%	-16%	5%
Return on shareholders equity	0.3%	2.1%	12.7%
Equity/total assets	52%	59%	58%
Equity/share before dilution, SEK	23.2	20.9	23.2
Average number of employees	417	367	359
Capital expenditure, gross			
Intangible fixed assets	8.2	103.9	117.6
Tangible fixed assets	17.7	10.0	19.7

CHANGES IN EQUITY

SEK million	Jan-Sep 05			Jan-Sep 04		
	Restricted Equity	Non Restricted Equity	Total	Restricted Equity	Non Restricted Equity	Total
Opening balance	896.1	11.8	907.9	902.4	-102.6	799.8
Adjustment of opening balance, IAS 39 (after tax)		-2.5	-2.5			
Currency differences	1.7	0.0	1.7	0.4	-0.1	0.3
Fund for changes in fair value		-0.8	-0.8			
Net result for the period		2.8	2.8		17.2	17.2
Closing balance	897.8	11.3	909.1	902.8	-85.5	817.3



Accounting principles

This interim report covers the operations of the Micronic Group, in which the Parent Company accounts for the Group's system sales. The subsidiaries are responsible for service and aftermarket sales in their respective regions, and also support the Parent Company's system sales activities.

Since January 1, 2005 Micronic's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). This consolidated interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is consistent with the requirements in the Swedish Financial Accounting Standards Council's recommendation RR 31, Consolidated Interim Reports.

The accounting principles applied in this interim report are the same as those described in the annual report for 2004, where it is stated that International Financial Reporting Standards (IFRS) are applied with effect from January 1, 2005 and that the comparative information for 2004 has been restated according to the new principles with the exception of the accounting principles relating to financial instruments. Financial information regarding previous years has not been restated.

For Micronic, the application of IAS 16, Property, Plant and Equipment, has had the greatest effect on profit and shareholders' equity. Based on historical cost, the company has restated the opening balance and result for 2004. Components are depreciated by function, resulting in minor adjustments in the functional income statement for both the respective quarters and the full year 2004. In accordance with the rules for first time adoption of IFRS, the new principles for financial instruments are applied only in those parts of the financial statements that refer to 2005. The effect of restatement to IFRS on the opening balance for shareholders' equity is described below in this report.

According to IAS 39, Financial Instruments, all financial instruments, including independent and embedded derivatives (forward exchange contracts) are stated at fair value. This means that gains/losses on cash flow hedges are continuously recognized in the balance sheet and income statement. Micronic applies hedge accounting when the applicable criteria have been met. At the beginning of 2005, the Group's holdings of derivatives had a negative effect of SEK 3.5 million on shareholders' equity.

Accumulated translation differences arising on the translation of the financial statements of foreign subsidiaries are reset to zero at the opening IFRS balance sheet date.

The effects of prior period restatement for the third quarter and for the first nine months of 2004 and shareholders' equity as per 30 September 2004 are described below in this report. Corresponding information for the full year 2004 and shareholders' equity at the beginning and at the end of 2004 are also reported below in this report.

Provisions are no longer shown as a separate heading in the balance sheet and have been transferred in full to the balance sheet item "Other long-term liabilities".

Since IFRS is subject to ongoing review and the current rules may be revised, it is possible that the figures stated in this interim report may also be changed in the future.

SEGMENT REPORTING

SEK million

Net sales per geographical market	Jan-Sep 05	Jan-Sep 04	Jan-Dec 04
Europe	0.2	0.7	0.9
USA	14.3	13.5	122.4
Asia	678.4	402.8	716.2
	692.9	417.0	839.5
Assets, 30 Sep 2005	Europe	USA	Asia
Intangible fixed assets	290.4	-	-
Tangible fixed assets	274.7	2.7	17.5
Inventories	470.0	10.0	30.2
Other assets	374.1	3.1	23.2
Cash and bank	202.4	3.0	32.2
	1,611.7	18.8	103.1
Investments, Jan-Sep 2005			
Intangible fixed assets	8.2	-	-
Tangible fixed assets	11.1	0.3	6.3
	19.3	0.3	6.3

Assets, 31 Dec 2004	Europe	USA	Asia
Intangible fixed assets	385.3	-	-
Tangible fixed assets	281.3	1.1	6.1
Inventories	316.7	3.8	23.8
Other assets	226.7	4.5	16.4
Cash and bank	288.3	2.4	15.5
	1,498.3	11.7	61.8
Investments, 2004			
Intangible fixed assets	117.6	-	-
Tangible fixed assets	14.2	0.5	5.0
	131.8	0.5	5.0

IFRS ADJUSTMENTS

SEK million	July-Sep 2004	Jan-Sep 2004	Jan-Dec 2004
Net result as earlier reported	37.4	18.3	109.8
Adjustments for component depreciation	-0.5	-1.5	-2.0
Tax	0.1	0.4	0.6
Net result according to IFRS	37.0	17.2	108.4
	30 Sep, 04	31 Dec, 04	Opening balance 2004
Equity as earlier reported	817.0	908.0	798.5
Adjustments for component depreciation	-1.5	-2.0	-
Adjustments in fixed assets	1.9	1.9	1.9
Tax	-0.1	0.0	-0.6
Equity according to IFRS	817.3	907.9	799.8