

PRESS RELEASE

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Micronic received orders for three systems in spite of a weak market

Micronic Group today announces its Third Quarter Report, July 1 – September 30, 2002.

Taby, Sweden, October 23, 2002 - Micronic Laser Systems AB (Stockholmsborsen's "Attract 40 list": MICR), is at the forefront in semiconductor and display laser pattern generators for the production of photomasks to the worldwide electronics industry.

(Figures in brackets relate to the July 1– September 30, 2001 period, unless otherwise stated.)

- Net sales in the third quarter amounted to MSEK 45 (102).
- Third quarter results after financial items were a loss of MSEK -53 (-49).
- Third quarter order intake of MSEK 128 (213).
- Closing order book of MSEK 331 (458).

"The continued weak semiconductor market affected Micronic negatively as we encountered push out of shipment due to a poor photomask market. Market conditions also forced us in august to adjust the sales forecast for the full year to be in line with last year's", says Sven Lofquist, President and CEO of Micronic Laser Systems. "Despite the gloomy market we continue to get orders for semiconductor equipment and encounter a continued strong interest in our Sigma product line".

Key events during the third quarter

- Micronic received a repeat order for an MP80+ laser pattern generator from a major North American customer, with scheduled shipment in December 2002. Furthermore, Micronic received its first order for the next generation of PDP systems from an Asian customer.
- Micronic also received an order for an Omega6600 laser pattern generator from a customer in Asia. The order includes an option for a Sigma7000 series laser pattern generator.
- Micronic appointed Manny Ferreira to the position of President of Micronic Laser Systems, Inc., the North American subsidiary based in Mountain View, California. As president Mr Ferreira is charged with leading North American operations, customer support and sales efforts to increase the company's market position and strengthen customer relationships.

Markets and Micronic products

Semiconductors

The uncertainty in the world economy and the semiconductor market has continued through the third quarter. Although IC manufacturing overcapacity is beginning to erode, general economic concerns and revenue reduction are delaying capital spending. The expected ramp-up of the 130 nm node is also suffering from challenges in process complexity and yields. As a consequence, mask volumes and prices are under pressure. The mask community needs to manage the present situation, and still correctly time the capacity increase at the 130 nm node as well as invest in sub-100 nm equipment for technology development.

Despite the difficult situation, Micronic received an order for an Omega6600 from Asia, reconfirming our established position on the market. The order was coupled with an option for a Sigma7000 series pattern generator. We continue to see strong interest in the Sigma technology for designs at 100 nm and below. Micronic presented extensions to the Sigma technology at the recent BACUS Photomask Symposium in Monterey, California, resulting in further improvements in resolution and fidelity. The productivity and performance advantages of our technology were well received, especially now that the cost of producing photomasks is of key concern to the industry.

Display

After the second quarter's record volumes in the flat panel display market, the third quarter has been characterized by over capacity. Investments in equipment for display manufacturing remain strong with a number of fabs being completed by the end of this year and during 2003. The demand for photomasks normally increases when new fabs are brought on-line. This also influences the demand for pattern generators.

The market for plasma display panels (PDP) is transitioning to a new generation of substrate sizes. The new large substrates will have room for more panels. This also means a requirement for larger photomasks. Micronic received an order for a system in the MP series for the next generation PDP photomasks during the third quarter.

Multi Purpose

The unstable situation in the semiconductor area also affects electronic packaging. An increase in the semiconductor market is expected to influence the packaging market positively. Micronic's pattern generators are well positioned providing productivity combined with high quality. Micronic received a repeat order for an MP80+ system during the third quarter.

Direct Write

Micronic continues to build market consensus for the maskless stepper approach, based on our proprietary SLM technology and aimed at writing prototypes and small volume production of semiconductor devices directly on to wafers avoiding the cost of photomasks. This technology is becoming critical to the industry, in particular for ASICs, where the mean number of wafer prints per reticle is falling below 50 wafers per photomask, implying there are many designs that may require only a few wafers to satisfy the total production requirements. The trend is clear, design costs (including the photomask) are increasing, while the number of wafers per design is decreasing. The combined impact is that fewer ASIC designs are being generated. The maskless stepper concept will break this trend and have a positive impact not only on the photomask market but also on the industry at large.

Key financials**Accounting principles**

In the interim report, covering Micronic group, the parent company stands for approximately 90 percent of net sales.

Starting January 1, 2002, Micronic accounts for R&D expenses in accordance with the Swedish Financial Accounting Standards Council recommendation no 15, on Intangible Assets. Apart from this, the same accounting principles are used as in the most recent annual report.

Order intake and order backlog

Order intake in the third quarter amounted to MSEK 128 (213), consisting of three new systems and service.

The closing order book amounted to MSEK 331 (458).

Net sales

Net sales for the third quarter were MSEK 45 (102), including one system and service.

Operating costs

Operating costs, including change of products in progress and capitalized work, amounted to MSEK 100 (150). These costs include cost of goods sold MSEK 34 (66), R&D MSEK 45 (54), S,G&A MSEK 22 (25) and other operating income/costs MSEK 1 (-5), mainly exchange rate differences.

The gross margin for systems and service in the third quarter is considerably lower than usual. Cost of goods sold is charged with production overhead, which causes significant effects in quarters with low sales. Furthermore, cost of goods sold has been charged with one-time costs, related to installations, in the third quarter.

After an individual valuation of all R&D projects, Micronic is accounting for R&D costs amounting to MSEK 27 as intangible fixed assets. Other R&D costs for the third quarter amounting to MSEK 45 have been accounted for as general R&D and are therefore expensed as they occur. Of this total, MSEK 10 is related to direct write development.

So far in 2002, R&D costs amounting to MSEK 74 have been accounted for as intangible fixed assets.

Profitability

The EBIT result for the third quarter was MSEK -56 (-48) and the result after financial items was MSEK -53 (-49).

Had R&D costs been expensed in accordance with former accounting principles, the EBIT result would have been MSEK -82.

Earnings per share

The total number of shares issued are 19 215 283. After full dilution including warrants net after withdrawals, the company will have 21 793 733 shares. Each share has a par value of SEK 1.

Earnings per share, after tax and full dilution, were SEK -1.40 (-1.62).

Capital expenditure

Investments in intangible assets related to R&D amounted to MSEK 27 in the third quarter.

There have been no investments on premises or in machinery and equipment in the third quarter.

Personnel

During the third quarter the number of employees increased from 339 to 355.

Cash-flow, liquid funds and financial position

So far in 2002 liquid funds decreased by MSEK -223 (103), totalling MSEK 330 at the end of the quarter, excluding an unutilized overdraft facility. In September however, cash flow turned positive by MSEK 39.

Operations have used MSEK 111 (-123), while cash flow used for changes in working capital amounted to MSEK -8 (30). Net capital expenditure amounted to MSEK 117 (124) and came from additional investments on premises, machinery and equipment as well as intangible assets.

Funds from external sources amounted to MSEK 13 (320).

The equity/assets ratio was 49 (51) percent at the end of the quarter.

Future outlook

The semiconductor market has still not shown any signs of recovery. The display market has encountered price reductions while volumes have not been affected. In this environment the visibility continues to be poor.

Micronic's present order book, combined with ongoing customer activities, support the current outlook for the full year. The Board estimates sales for the full year to be in line with last year's (699 MSEK), however the risk for push outs still exists.

Micronic's extensive R&D investments in SLM technology as a key component for semiconductor lithography has resulted in the first product launch for advanced photomask applications. Furthermore, the company has conducted extensive research in the field of maskless lithography, showing that Micronic's technology can make this important application a reality.

Thus Micronic has now reached the point where the foundation is in place both for continued penetration of the mask writer market with a reduced cost structure, as well as for entering into the important maskless lithography market.

Ongoing discussions with semiconductor manufacturers indicate not only the long term need for maskless steppers but also the urgency to reach the market in time. To meet customers' requests and to secure a successful market introduction and a broad industry acceptance, it is desirable to base the maskless products on existing stepper platforms. Consequently, Micronic has decided to seek a joint partnership to meet these requirements. In order to continue and accelerate the maskless lithography product program in line with customers' needs, the goal is to establish such a partnership.

Future reports

1 October – 31 December 2002
Annual report 2002
Annual General Meeting
1 January – 31 March 2003

February 11, 2003
To be distributed in week 10, 2003
March 25, 2003
April 23, 2003

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Micronic Laser Systems AB (publ.)

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REVIEW REPORT

We have reviewed this interim report with respect to the period January 1 - September 30, 2002 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 23, 2002

Anders Ostberg
Authorised public accountant

Per Fridolin
Authorised public accountant

This interim report is a translation from the formal report in Swedish.

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 Taby, north of Stockholm and at present has subsidiaries in the United States, Japan and in Taiwan. The company has 355 employees. Micronic maintains a web site at: <http://www.micronic.se>

PROFIT AND LOSS ACCOUNTS, Group

MSEK	Jul-Sep 02	Jul-Sep 01	Jan-Sep 02	Jan-Sep 01
Net sales	44.6	102.5	314.4	376.9
Change in products in progress	38.4	27.0	52.3	89.9
Capitalized work for own use	10.1	-	30.0	0.0
Other operating income/costs	1.0	-5.5	-10.7	11.6
Operating costs incl. depreciation	-149.7	-171.5	-501.1	-575.9
Operating result	-55.6	-47.5	-115.1	-97.5
Result from financial investments	2.2	-1.3	3.9	-1.8
Result after financial items	-53.4	-48.8	-111.2	-99.3
Tax	22.8	15.2	52.0	32.6
Net result	-30.6	-33.6	-59.2	-66.7
Earnings/share before dilution, SEK	-1.59	-1.76	-3.08	-3.49
Earnings/share after dilution, SEK	-1.40	-1.62	-2.72	-3.26
No of shares before dilution, thousands	19 215	19 101	19 211	19 101
No of shares after dilution, thousands	21 794	20 794	21 794	20 468

BALANCE SHEET, Group

MSEK	30 Sep, 02	31 Dec, 01
ASSETS		
Intangible fixed assets	103.3	21.7
Other fixed assets	222.3	222.8
Total fixed assets	325.6	244.5
Current assets		
Inventories	363.3	279.6
Current receivables	291.1	257.0
Cash and bank	329.6	552.4
Total current assets	984.0	1 089.0
Total assets	1 309.6	1 333.5

EQUITY AND LIABILITIES

Equity		
Restricted equity	592.1	592.4
Non-restricted equity	44.8	104.8
Total equity	636.9	697.2
Provisions	9.8	10.3
Convertible loan	320.0	320.0
Long-term interest-bearing liabilities	115.0	103.1
Other liabilities	227.9	202.9
Total liabilities	672.7	636.3
Total equity and liabilities	1 309.6	1 333.5

CASH FLOW, Group

MSEK	Jan-Sep 02	Jan-Sep 01
Cash flow from operations before change in working capital	-111.1	-123.2
Change in working capital	-7.6	29.7
Cash flow from operations	-118.7	-93.6
Cash flow from capital expenditure	-117.4	-123.7
Cash flow from financing	13.3	320.2
Increase/Decrease in liquid funds	-222.8	102.9
Opening liquid funds	552.4	318.7
Closing liquid funds	329.6	421.6

KEY FIGURES, Group

	Jan-Sep 02	Jan-Sep 01
Profit margin, %	-35.4	-26.0
Return on shareholders equity, %	-8.9	-10.3
Equity/total assets, %	48.6	51.0
Equity/share before dilution, SEK	33.2	32.3
Average number of employees	338	314
Capital expenditure, gross MSEK		
Buildings	2.8	69.8
Machinery and equipment (leasing excluded)	11.9	30.8
Intangible fixed assets	81.6	19.5

EQUITY, Group						
MSEK	Jan-Sep 02			Jan-Sep 01		
	Restricted Equity	Non Restricted Equity	Total	Restricted Equity	Non Restricted Equity	Total
Opening balance	592.4	104.8	697.2	579.9	99.7	679.6
New share issue (warrants)	1.1		1.1			
Warrants group company	-0.1		-0.1			
Currency differences	-1.3	-0.8	-2.1	1.3	1.0	2.3
Net result		-59.2	-59.2		-66.7	-66.7
Closing balance	592.1	44.8	636.9	581.2	34.0	615.2

Q INCOME STATEMENTS, Group						
MSEK	Jul-Sep 02	Jul-Sep 01	Jan-Sep 02	Jan-Sep 01	Oct 01-Sept 02	Jan 01-Dec 01
Net sales	44.6	102.5	314.4	376.9	636.8	699.3
Q on Q	-80%	-35%	N/A	N/A	N/A	N/A
Y on Y	-56%	-37%	-17%	9%	N/A	-1%
Cost of goods sold	-34.5	-66.0	-171.9	-203.5	-287.5	-319.0
% of Net sales	-77%	-64%	-55%	-54%	-45%	-46%
Gross profit	10.1	36.5	142.5	173.4	349.3	380.3
% of Net sales	23%	36%	45%	46%	55%	54%
R&D	-44.9	-53.5	-152.6	-180.1	-187.2	-214.7
% of Net sales	-101%	-52%	-49%	-48%	-29%	-31%
Sales, G & A	-21.8	-25.0	-94.3	-102.4	-142.1	-150.1
% of Net sales	-49%	-24%	-30%	-27%	-22%	-21%
Other income/costs	1.0	-5.5	-10.7	11.6	-20.6	1.6
% of Net sales	2%	-5%	-3%	3%	-3%	0%
EBIT	-55.6	-47.5	-115.1	-97.5	-0.6	17.1
% of Net sales	-125%	-46%	-37%	-26%	-0%	2%
Interest	2.2	-1.3	3.9	-1.8	-1.9	-7.6
% of Net sales	5%	-1%	1%	0%	-0%	-1%
Result after financial items	-53.4	-48.8	-111.2	-99.3	-2.5	9.5
% of Net sales	-120%	-48%	-35%	-26%	-0%	1%
Tax	22.8	15.2	52.0	32.6	N/A	-2.4
% of Result after financial items	-43%	-31%	-47%	-33%	N/A	-26%
Net result	-30.6	-33.6	-59.2	-66.7	N/A	7.1
% of Net sales	-69%	-33%	-19%	-18%	N/A	1%

The column presenting floating 12 months includes Q 4 2001 when all R&D costs were expensed.