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## Q3 record profit

**Micronic Group, Third Quarter Report, July 1 – September 30, 2000**

**Micronic Laser Systems AB (OM Stockholm Exchange: MICR) which is at the forefront in semiconductor and display laser pattern generators for the production of photomasks to the world wide electronic industries, today announces record third quarter results.**

Figures in brackets relate to the period July 1 – September 30, 1999.

- Record quarterly profit after financial items amounted to MSEK 39 (-15). Accumulated year to date profit after financial items is MSEK 15 (-8).
- Net sales according to expectation amounted to MSEK 162 (50).
- Order intake amounting to MSEK 139 (81), not including the SLM order.
- Break-through order received in early fourth quarter for 0.13  $\mu\text{m}$  design node system based on the new generation SLM technology.
- The order backlog was MSEK 365 (118), of which MSEK 259 is expected to be invoiced during 2000.
- The total number of employees was 260 (171) at the end of the third quarter.

### Key events in third quarter

- Micronic expanded the Omega6000 product line for semiconductor applications. The product line includes four different systems that generate state-of-the art photomasks for 0.15-0.50  $\mu\text{m}$  design nodes. This gives our customers the capability to optimize their production capacity at a highly competitive cost of ownership.
- At the Bacus Semiconductor Conference in Monterey, California on September 14, Micronic presented a long-term laser patterning solution – the SLM, Spatial Light Modulator, technology that created great interest within the industry.
- The board of Directors has decided to invest up to MSEK 80 in process and measurement equipment during the first half of 2001. The aim is to increase Micronic's ability to further improve production flow to shorten lead times and to optimize the systems performance.

“We are very encouraged by the industry's confidence in our technology which is exemplified by the break-through order in our new SLM technology for next generation semiconductor pattern generators. We continue our shipments according to plan and we have brought the company back into profit as projected.”, says Bert Jeppsson, CEO and President, of Micronic.

## **Market and Micronic products**

### **Semiconductors**

The semiconductor market is soaring in 2001-2002 according to Dataquest who has revised their forecast (July 2000, (January 2000)) for the sales of pattern generators to increase from MUS\$ 270 (230) in 1999 through MUS\$ 352 (310) in 2000 and MUS\$ 484 (484) in 2001 to MUS\$ 586 (508) in 2002. Micronic is preparing to meet this with the complete Omega6000 product line down to 0.15  $\mu$ m technology node and with SLM, Spatial Light Modulator, technology from 0.13  $\mu$ m and beyond. The complete Micronic Omega6000 product line of four different tools was released at Bacus, the Semiconductor Conference in Monterey, on September 14. On the same day, Micronic's SLM technology for laser pattern generators was introduced.

Micronic continues to experience large and increased interest in our products and development from the mask making and end-user communities. An order for one Omega6000 system was placed during the quarter.

Due to the growing interest and the huge market potential, development work on the new wavelength-independent photomask writing strategy, SLM, Spatial Light Modulator, moved ahead at an accelerated pace.

### **Displays**

The production of TFT-LCDs (Thin Film Transistor-Liquid Crystal Displays) increases rapidly and the trend is expected to continue. The Taiwanese producers of TFT-LCDs have increased their production rapidly. The Taiwan market share was 3% in 1999 and is expected to reach 13% in 2000 (Display Search, March 2000).

Several new TFT color filter production lines are being constructed in Japan and Taiwan, with the result of increased demand for photomasks.

### **Multi Purpose**

Micronic has received orders for four MP systems during the quarter. The main application is high-end electronic packaging. Advanced packaging technologies like CSP (Chip Scale Packaging) and BGA (Ball Grid Array) are now being put into production and Micronic's position in this market segment is further strengthened.

### **Order intake and invoiced sales**

Net sales were as expected and amounted to MSEK 162 (50), an increase of 224% for the period.

The order intake amounted to MSEK 139 (81) for the period.

The order backlog amounted to MSEK 365 (118), of which MSEK 259 is expected to be invoiced during 2000. Laser pattern generators for the display segment, including multi purpose tools, accounted for 63 (100) % of the order backlog, and semiconductor generators for 37 (0) %.

All sales are invoiced in US dollars and approximately 25% of costs are in US dollars. The company hedges its foreign currency flows, gradually increasingly towards shipment. Sales is booked on an average exchange rate. The currency difference occurring upon received payments is accounted for under financial items.

**Operating costs**

Operating costs amounted to MSEK 125 (66).

The gross profit margin was positively affected (4%) by a customer kept trade-in system.

In order to meet the increasing volume of deliveries, personnel resources have been increased in Sweden and at the foreign subsidiaries.

Investments in research and development continued. The efforts have been focused on the development of the SLM technology, the introduction of the Omega6000 product line and on finalizing the multi-beam writing technology in the display pattern generators.

The number of employees has increased from 171 to 260 (52%), mainly within development, production and service areas.

**Profitability**

Record quarterly profit after financial items amounted to MSEK 39 (-15). The accumulated year to date profit after financial items was MSEK 15 (-8).

**Earnings per share**

The total number of shares amount to 19,100,583. After full dilution, including warrants, the shares amount to 20,306,633. Each share has a par value of SEK 1.

The earnings per share, after standard tax and full dilution was SEK 0.74 (loss of SEK 0.56).

**Capital expenditure**

Net capital expenditure during the period amounted to MSEK 12 (2). This relates to investments in the parent company's property in order to increase development and production capacity.

**Liquid funds and financial position**

The Group has a strong financial position after the first three quarters. Closing total balance of funds amounted to MSEK 415 (118) excluding an unutilized bank overdraft facility. The substantial increase comes mainly from an increase in share capital earlier this year related to the IPO.

The equity ratio as per end of September was 72 (60) %.

**Cash-flow analysis**

Since January MSEK 97 have been used by the current business and MSEK 33 used for net investments. External funds supplied after provisions for pensions etc were MSEK 462. Liquid assets increased therefor during the year with MSEK 332. The cash flow isolated for the third quarter was positive.

**Legal status**

Micronic took legal action in the US against Etec Systems Inc. in January, including a request to the court to establish that Micronic is not violating one of Etec's patents. In March, Etec filed an answer to the complaint, including a claim that Micronic is infringing one of its' patents. The court has scheduled a hearing in January 2001 to decide what the Etec patent covers.

**Future outlook**

Micronic's dominant markets are Japan, South East Asia and the United States.

The demand for Micronic's products in the semiconductor segment, a market that is approximately 10 times larger than the display market, will continue to be strong.

The market for photomask pattern generators for production of advanced TFT-LCD displays continues to be of high importance for Micronic. The capacity build-up is expected to continue, but possibly at a lower pace during 2001.

Micronic has during the third quarter brought the company back into profit as projected. The outlook made by the board of directors is that the fourth quarter will be very strong, that Micronic is well under way towards the long term financial goal to exceed 15% operating margin already during the current year and that sales during 2001 is expected to grow considerably with emphasis on the second half of 2001.

To further increase its presence in the important US semiconductor market, Micronic is continuing its expansion and has initiated plans for opening an application and demonstration center in the United States.

**Other**

This interim report has not been subject to examination by the company's auditors.

**Future reports**

Year-End release, 2000      February 1, 2001

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Micronic Laser Systems AB (publ.)

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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 and Japan and a service office in Taiwan. Micronic, with net sales of SEK 213 million (1999), has around 260 employees worldwide.

## PROFIT AND LOSS ACCOUNTS

SEK million	GROUP		PARENT COMPANY		GROUP		PARENT COMPANY	
	Jan-Sep00	Jan-Sep99	Jan-Sep00	Jan-Sep99	Q3 00	Q3 99	Q3 00	Q3 99
Net sales	345.2	173.9	313.2	163.4	161.9	50.3	151.8	45.0
Change in work in progress	52.7	1.6	52.7	1.2	2.8	-14.4	2.8	-13.4
Other operating income	0.0	-0.1	0.0	-0.4	0.0	-0.7	0.0	-1.0
Operating costs, Incl. depreciation	-388.3	-183.8	-364.4	-173.5	-127.8	-50.5	-119.0	-48.1
<b>Operating profit/loss</b>	<b>9.6</b>	<b>-8.4</b>	<b>1.5</b>	<b>-9.3</b>	<b>37.0</b>	<b>-15.3</b>	<b>35.6</b>	<b>-17.5</b>
Result from financial investments	5.6	0.2	6.8	1.8	2.3	-0.2	2.4	0.3
<b>Profit/loss after financial items</b>	<b>15.2</b>	<b>-8.2</b>	<b>8.3</b>	<b>-7.5</b>	<b>39.3</b>	<b>-15.1</b>	<b>38.1</b>	<b>-17.2</b>
Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Tax on profit of the year	-0.1	0.0	0.0	0	0.0	2.3	0.0	2.7
<b>Net profit/loss for the year</b>	<b>15.1</b>	<b>-8.2</b>	<b>8.3</b>	<b>-7.5</b>	<b>39.3</b>	<b>-12.8</b>	<b>38.1</b>	<b>-14.5</b>

## BALANCE SHEET

SEK million	Sep30, 00	Sep30, 99	Sep30, 00	Sep30, 99
<b>ASSETS</b>				
<b>Fixed assets</b>	<b>107.5</b>	<b>58.3</b>	<b>106.7</b>	<b>63.7</b>
<b>Current assets</b>				
Inventories	181.5	76.0	172.9	71.1
Current receivables	168.7	59.6	158.6	59.2
Cash and bank	414.6	118.1	404.9	110.4
<b>Total current assets</b>	<b>764.8</b>	<b>253.7</b>	<b>736.4</b>	<b>240.7</b>
<b>Total assets</b>	<b>872.3</b>	<b>312.0</b>	<b>843.1</b>	<b>304.4</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Restricted equity	580.4	116.4	558.6	90.4
Non-restricted equity	43.8	71.3	32.4	68.0
<b>Total equity</b>	<b>624.2</b>	<b>187.7</b>	<b>591.0</b>	<b>158.4</b>
Untaxed reserves	0.0	0.0	34.2	35.9
Provisions	16.2	8.4	6.5	0.0
Long-term interest-bearing liabilities	53.0	49.5	48.3	49.5
Other liabilities	178.9	66.4	163.1	60.6
<b>Total liabilities</b>	<b>248.1</b>	<b>124.3</b>	<b>217.9</b>	<b>110.1</b>
<b>Total equity and liabilities</b>	<b>872.3</b>	<b>312.0</b>	<b>843.1</b>	<b>304.4</b>

## KEY FIGURES

Profit margin	4.4%	-5%	2.6%	-5%
Liquid ratio, <sup>1)</sup>	67%	57%	67%	56%
Net cash, MSEK <sup>2)</sup>	352.9	66.8	358.2	62.4
Equity/assets ratio	72%	60%	73%	60%
Equity, MSEK <sup>3)</sup>	624.2	188	591.0	184
No. of shares, x 1000 <sup>4)</sup>	20 306	14 721	20 306	14 721
Equity/share, SEK <sup>5)</sup>	30.74	12.75	30.32	12.52
Earnings/share <sup>6)</sup>	0.74	-0.56	0.41	-0.51
Average no. of employees	228	160	203	146
Capital expenditure, gross				
Buildings	18.1	0	18.1	0
Machinery and equipment	12.1	3.3	10.4	2.8

1) Sum of current receivables and liquid funds as % of total assets.

2) Liquid funds less interest-bearing liabilities.

3) Equity including 72% of untaxed reserves.

4) Including options.

5) All outstanding options have been taken into account in the calculation.

6) Earnings per share based on the result after full tax.

## Q INCOME STATEMENT 2000

SEK million	2000 Q1	2000 Q2	2000 Q3
<b>Net sales</b>	49.0	134.3	161.9
<b>Q on Q</b>	18%	174%	20%
<b>Y on Y</b>	15%	65%	224%
<b>Cost of Sales</b>	-27.1	-62.7	-63.7
<b>%</b>	-55%	-47%	-39%
<b>Gross Profit</b>	21.9	71.6	98.3
<b>%</b>	45%	53%	61%
<b>R&amp;D</b>	-31.5	-39.0	-33.5
<b>%</b>	-64%	-29%	-21%
<b>Sales G&amp;A</b>	-17.2	-25.0	-32.3
<b>%</b>	-35%	-19%	-20%
<b>Other Costs</b>	-3.6	-4.7	4.4
<b>%</b>	-7%	-3%	3%
<b>EBIT</b>	-30.4	2.9	37.0
<b>%</b>	-62%	2%	23%
<b>Interest</b>	0.8	2.5	2.3
<b>%</b>	2%	2%	1%
<b>Pretax Income</b>	-29.5	5.4	39.3
<b>%</b>	-60%	4%	24%
<b>Tax</b>	-0.1	0	0
<b>%</b>			
<b>Extraordinary IT</b>	0	0	0
<b>%</b>			
<b>Reported Net Inc</b>	-29.6	5.4	39.3
<b>%</b>	-61%	4%	24%