



PRESS RELEASE

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Year-end Report Obducat AB (publ) January – December 2004

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- **Pre-tax profit was SEK –40,2 million (–31,9) and earnings per share before deferred dilution were SEK –0,20 (–0,18)**
- **30 per cent increase in NIL order take**
- **Order backlog at the close of the year amounted to SEK 11,1 million (0,6)**
- **5 new patents were granted during the reporting period**
- **Proposal re additional financing to be presented no later than at the time of AGM**

The complete report can be downloaded from Obducat's website:
www.obducat.com

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Obducat AB is an innovative developer and supplier of technologies, products and processes used for the production and replication of advanced micro and nano structures. Obducat's products and services are intended to serve the demands of companies within the information storage, semiconductor, printed circuit board, and sensor industries. Obducat's technologies include electron beam, and nano imprint technology. Obducat has offices in Sweden, and the UK, with the head quarter located in Malmö, Sweden. The Obducat shares are publicly traded on the Swedish NGM stock exchange. Read more on www.obducat.com



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Sales (All amounts below in SEK 000 unless otherwise stated)

Obducat recorded total sales in 2004 amounting to 27,040 (38,268). Beginning the year with a modest increase, the order intake improved gradually, showing noticeable growth during the closing months. As previously stated, customers' evaluations have tended to be more time-consuming, and as a consequence their decision processes have been prolonged, which explains the decrease in sales. Obducat's possibility to evaluate the timing factors is still based on what the customers communicate to the company on a continuous basis.

Opening order backlog for the year totalled SEK 0,6 million, amounting at the close of the reporting period to SEK 11,1 million, thus total orders received for the year were SEK 37,5 million. Orders received for NIL were up by approx. 30 per cent compared to the year before. During the year orders have been received from e.g. Uppsala University, Georgia Institute of Technology, Stanford University and two well-reputed Chinese universities. Additionally, a couple of very large industrial companies are among last year's customers. During January the order backlog has increased to 14,4 MSEK. The company estimates that its share of the NIL system world market amounts to some 40 per cent.

In 2004 the gross margin increased to 52 per cent compared to 48 per cent in 2003.

A number of projects are currently pursued with world-leading players active in various trades. The chance of receiving industrial orders in the form of customer projects in a number of application areas is considered feasible. Such customer projects are in different stages of development, ranging from relatively early to the conclusive phase of final testing prior to the expected decision to place an order. Stampers are sold to an increasing number of customers, clearly indicating the increased interest demonstrated by current and potential NIL customers.

The periods of time for customers' evaluation processes have consistently been longer than could have been anticipated, and Obducat's ability to form an opinion is still dependent upon the information communicated to the company.

Research and Development

Obducat continues to conduct extensive research and development work, which was further increased in 2004, for the most part purposely in close cooperation with existing and potential customers. In this respect the NIL segment is still being prioritised, however added resources were also allocated to EBR. The Company believes that these research and development efforts have reinforced and strengthened the company's standing, placing it at the technological forefront of NIL as well as EBR.



A major result of this year's efforts is that Obducat is now able to offer both thermal and UV based imprint as well as combinations thereof, which creates new possibilities for continued process development. This enables enhanced flexibility, increased customer benefits and a broader market.

In addition, further progress has been made within process development, representing an area of decisive importance to Obducat's possibility to qualify as a supplier of industrial NIL systems within a range of application areas.

During 2004, the company has also advanced its position within a variety of areas by means of the customer cooperations established since long. A most visible example in this respect is the development, which LG Electronics decided to publish during fall 2004. By utilizing Obducat NIL equipment, LG has developed a "Nano Wire Grid Polarizer" aimed for micro displays and optical communication components. Similar results have been materialized in projects with other customers, however these have so far decided not to make the results public.

The research and development work forms the basis of continuous patent evaluations, and when commercial grounds are considered feasible, patent applications are submitted. At the close of 2004 the Company held 28 granted patents covering inventions, and a further 9 patent applications for inventions had been filed. Five patents for new inventions have been granted during the year, four pertaining to NIL and one pertaining to EBR.

During 2004 Obducat became a partner of the EU project NaPa with a budget of Euro 16 million in total. Obducat's contribution comprises specific development regarding enhanced functionality in high-resolution alignment for NIL, with the prospect of furthering the Company's competitiveness. There are applications for additional and externally funded research projects being finalised, in which Obducat may take part.

Research and development costs during the year totalled 17,881 (15,254), in addition to which 6,391 (6,406) were activated as capitalised development expenditure and patents. Consequently R&D costs in 2004 increased by about 12 per cent compared with the same period the previous year.

Sales and Result

Total sales for the Group amounted in the period to 27,040 (38,268) and generated a gross profit of 14,031 (18,229), corresponding to a gross margin of 52 per cent (48).

Operating loss for the period amounted to -35,960 (-29,640) and was charged with depreciation according to plan of 12,513 (12,338).

Income after taxes amounted to -40,177 (-31,914).

Financing and Liquidity

At the end of the period shareholders' equity stood at 37,639 compared to 50,219 at the start of the year. At the beginning of the year a directed new share issue was implemented, providing 12,803 after issue expenses. The issue was subscribed by Nanostart AG / Hauck & Aufhäuser. In January a total amount of 16,270 series B shares were issued based on the required conversion of outstanding convertible debentures 2001/2004. The last day to convert the debenture loan was January 1, 2004.



Based on the resolution at an extraordinary general meeting in February, a share issue of subordinated debentures with detachable warrants was implemented in the latter part of March. A total amount of about 62 million convertible debentures each with a nominal value of SEK 1,00 were issued, of which cash subscriptions yielded the company approximately SEK 50 million. The convertible debenture and the detachable warrant are separately traded at NGM.

At the beginning of the third and fourth quarters the required conversion of the total amount of approximately SEK 4,8 million of the new convertible debenture loan was executed, resulting in the issuance of a total of 2,225,603 new series B shares. In the same period a total of 1,190,147 new series B shares were issued based on the subscription for new shares supported by the detachable warrants of the debenture loan, which generated about SEK 2,5 million in cash payments. At the close of the fourth quarter, the issuance of a further 149,931 new series B shares had been required in the same way, but not yet registered, largely via conversion.

Liquid assets at the close of the year were 31,318 compared to 6,807 at the close of the previous year. Equity/assets ratio on December 31 was 33 per cent compared to 59 per cent at the start of the year.

Cash flow from operating activities in the period amounted to -24,912 (-21,975). Total cash flow for the period was 24,511 (6,575), primarily mirroring – in addition to the outcome and the implemented issues of shares and convertibles described above – investments in tangible and intangible fixed assets.

Investments

The Group's net investments for the period totalled 8,210 (8,652), of which 78 per cent (74 %) relating to intangible assets in the form of development costs – carried forward in compliance with RR15 – and patents. Furthermore, an additional and relatively substantial investment in EBR equipment for the production of Stampers was made during the year.

Organisation

At the close of the reporting period the Group had a total of 42 employees (of whom 3 women).

External factors

The Company considers the impact of currency and interest rate fluctuations to be of little consequence. However, a limited currency risk may arise in connection with business deals based on public procurement in US dollars. In the event of a weak dollar the possibility to compensate for currency exposure by increasing prices is limited.

In the Company's opinion the competition has changed during the period due to an increasing number of players having emerged on the market. The price of certain NIL related products have indicated a downward trend during the period.

Parent Company

No external sales were generated in the Parent Company during the period. Income before taxes amounted to -17,042 (-30,202). Net investments in the Parent Company amounted to 4,758 (2,418), largely comprising patents and development costs carried forward in compliance with RR15.



Fourth Quarter (October – December)

The last quarter saw a significant improvement in order intake as well as sales, the latter amounting to 10,176 (13,798). Gross margin for the fourth quarter was 53 per cent (47). Operating loss was –8,495 (–7,017). Last quarter income after taxes amounted to –9,821 (–7,511) and was impacted by interest expenses pertaining to the convertible loan issued in the second quarter. Income in the quarter was charged with depreciation according to plan of 2,996 (3,102).

Cash flow from operating activities amounted in the fourth quarter to –7,605 (–3,188). Net investments in the quarter were 2,436 (2,907).

Accounting Principles

Accounting principles adopted by Obducat comply with the Annual Accounts Act and the general guidelines, statements and recommendations issued by the Swedish Financial Accounting Standards Council and other standard organisations. The accounting principles remain unchanged compared with previous interim report during the year and the Annual Report 2003. With regard to accounting by segments – governed by RR25, the Company has, as previously reported, determined that Obducat's business is considered to comprise one business segment only, namely that of system solutions for the production of advance micro and nano structures. For this reason the Company will give no further information in this report relating to RR25, referring instead to the profit and loss statement and balance sheet for the primary segment.

Adaptation to IFRS

According to the regulations placed on listed companies in the EU with effect from 2005 Obducat will change over to reporting according to IFRS (International Financial Reporting Standards). An examination well in advance has been made of the consequences for Obducat, and the results show that the only change will be amortisation of goodwill not being depreciated as of 2005. The corresponding amortisation for 2004 amounted to SEK 605 thousand.

Other significant events

Following the announcement of the new share issue directed at Nanostart AG / Hauck & Aufhäuser early in the year, continental players have demonstrated considerable interest in Obducat. As a result, *inter alia*, the foreign shareholding in Obducat during the year increased from 10 per cent to just over 35 per cent.

Pursuant to the resolution passed at the annual shareholders' meeting in June, a special examination was conducted during the autumn, which incurred costs in the amount of SEK 950 thousand, of which a little more than SEK 800 thousand (including non-deductible value-added tax) for remuneration to the special examiner appointed by the County Administrative Board. In addition, the process has been relatively time-consuming for the organisation and the Board. The conclusions of the special examination report were published at the beginning of December, revealing the fact that the examiner had found nothing that warranted significant criticism. The examination report has been available since the beginning of December and will be formally presented at the forthcoming extraordinary or annual general meeting.

Events taking place at and subsequent to the annual general meeting 2004, and the examination process as well as the called off extraordinary shareholders' meeting, and thus the not forthcoming



share issue decision has resulted in a heavy demand on the Board and Management and, in addition, media focus on issues that for the most part are not related to Obducat's core business. In relation to these events and on that account, the then chairman Peter Jonsson at the end of October informed that he did not wish to remain as chairman of the Board, the main reason being that he did not consider it possible to combine the increased workload with his regular daily work.

The Board therefore resolved unanimously among themselves to appoint Henri Bergstrand as new chairman. After that the Board has actively supported the Company's management in order to enable planned activities to be carried out, however with undesired delays due to the above-mentioned examination process.

With Henri Bergstrand in the chair the Board and management has focused primarily on the following areas:

- Industrial breakthrough for EBR and NIL
- Financing the planned expansion
- Strategic alliances and partners
- Strategic measures regarding CamScan

The Obducat share and Ownership Structure

On December 31, 2004 Obducat had 16,337 shareholders. On the same date the total number of shares amounted to 205,219,567, of which 6,500,000 series A shares (each entitling to ten votes), and the remainder series B shares (each entitling to one vote). On December 31, 2004 the required – but not yet registered – conversion or new subscription supported by options comprised a total of 149,931 additional series B shares. During the year a total of some 138 million series B shares were traded, equivalent to an average amount of about 0,55 million shares per day at an average price of approx. SEK 2.95. The ownership structure on December 31, 2004 (including the above-mentioned additional but not registered B shares on the closing day) was as follows:

<i>Owner</i>	<i>A shares</i>	<i>B shares</i>	<i>% of votes</i>	<i>% of capital</i>
Clearstream Banking (Luxembourg)	-	40 213 016	15,25 %	19,60 %
Lennart Olsson (incl. family & company)	2 817 500	13 581	10,69 %	1,38 %
Henri Bergstrand (incl. family & company)	2 598 000	69 568	9,88 %	1,30 %
Nanostart AG / Hauck & Aufhäuser (Luxembourg)	-	14 701 645	5,57 %	7,16 %
European Nano Invest AB	752 000	363 472	2,99 %	0,54 %
Hamilton Invest AB	200 000 **	2 274 976	1,62 %	1,21 %
Banco Technology- & Innovation Fund	-	3 475 000	1,32 %	1,69 %
Seaman Invest AB	-	3 200 000	1,21 %	1,56 %
Deutsche Bank (Germany)	-	2 631 896	1,00 %	1,28 %
Caroline Hamilton	-	2 482 812	0,94 %	1,21 %
SIS Segainter settle (Switzerland)	-	2 250 226	0,85 %	1,10 %
Royal Skandia Life Insurance (UK)	-	2 169 392	0,82 %	1,06 %
SEB Private Bank (Luxembourg)	-	1 797 150	0,68 %	0,88 %
Carnila AB	-	1 439 062	0,55 %	0,70 %
Merrill Lynch, Pierce, Fenner & Smith (US)	-	1 433 755	0,54 %	0,70 %
Kvibergs Marknad AB	-	1 063 340	0,40 %	0,52 %
Other shareholders	132 500 **	119 140 676	45,68 %	58,12 %
Total	6 500 000	198 719 567	100,00 %	100,00 %

**) The total number of 332 500 series A shares are currently subject to pre-emption proceedings in accordance with the Articles of Association



Significant events after the reporting period

In accordance with plans announced during spring 2004 the Board has, after the special examination was completed, resumed the work aimed at securing funds for continued business development. In view of this, a proposal regarding funding will be proposed no later than ahead of the AGM.

Outlook

The satisfactory order intake in the latter part of 2004 means that the Company has started the year with an order backlog of about SEK 11 million, which at the time of writing has increased to SEK 14,4 million, implying that 2005 can be expected to start with a significantly stronger first quarter than last year.

During 2004 nano imprint lithography has gained wider acclaim and public acceptance both in the industrial sector and the research world. The customer's demand have been increasingly distinct, at the same time as further facts have defined the obvious cost advantages of NIL compared to today's technique as well as the fact that NIL in distinction to existing techniques enables production of the structure sized in focus for demand. These structure sizes are not possible to produce with other technique than NIL. Many of Obducat's potential customers have clearly stated their intention to gradually migrate into NIL for the purpose of mass production within a relatively close time horizon. In view of this and concerning the future outcome of the collaboration projects that are conducted with several industrial players in a number of application areas, the Company estimates the current situation as follows.

At present the Company has a number of ongoing collaborations with customers, of which several have the potential to and are aimed at resulting in mass production of various components. These simultaneous activities are in different stages of progress, some of which are early development projects whereas others are in the final phase of evaluation. The Company expects to be in a position to receive orders of an industrial nature in the near future, however it is very difficult to be more precise about the point of time due to the complexity of the evaluation in the final stages. The Company believes that the possibility of making significant progress in the industrial sector may be expected during the next two years. The university and institutional markets remain difficult to assess since the use and allocation of funds is very hard to predict. Overall, there has been a positive trend towards increased quotations in these two sectors in the second half of 2004, and this is expected to continue.

The Company further estimates four application areas to generate mass production orders within a period of two years – magnetic storage, optic storage, opto electronics and display products.

Firm examples of consumer-oriented products within these areas are:

Magnetic storage media:	Hard drives for PC's, cell phones and digital cameras.
Optical storage media:	Following generations of DVD with multiple hundreds of GB storage capacity
Opto electronics:	Components for high-speed communication within e.g. IT
Display related:	Components for flat panel displays for e.g. TV's

The remaining application areas (such as e.g. semiconductors, bio applications and molecular electronics) will probably not enter the industrial phase until the end of the mentioned period.



On the basis of the timetables that Obducat's customers have chosen to communicate, the previously estimated mass production based on NIL scheduled to gradually commence starting at the beginning of 2006, remains. Should these schedules change, it will evidently affect Obducat's timetable.

It was previously assumed that the first industrial orders could be obtained at the end of 2004 or early 2005. The fact that the previously estimated time for this order has been slightly postponed depends on the customers in question gradually having decided to enlarge their requirement specifications. This has not changed the Company's view in respect of being able to secure these orders, if anything it has reinforced the belief that it will come about.

Based on experience, the company concludes that precise forecasting for the kind of operation conducted by Obducat is complicated. In view of this, as well as the difficulty of estimating all factors beyond the company's direct influence, the company has decided not to make any detailed forecast commitments at this point. However, it is presently deemed realistic to reach a turnover in 2005 being higher than during 2003 (38 MSEK). In the event an industrial order is secured during the first tertial, the target can be increased further. Net result as well as cash flow will be continuously negative in 2005, especially in light of the planned scope of investments in hard- and software aiming at maintaining the market leader position and to maximize the opportunities of securing industrial orders.

Future financial reports, etc

Interim Report 1 (January – March)	April 27
Annual General Meeting	June 10
Interim Report 2 (January – June)	August 5
Interim Report 3 (January – October)	October 27

Malmö, February 17, 2005

The Board of Directors of Obducat AB (publ)
Org.Reg.No. 556378-5632

On behalf of the Board of Directors

Patrik Lundström
CEO



Consolidated Income Statement (SEK 000)	Oct - Dec	Oct - Dec	Full year	Full year
	2004	2003	2004	2003
Net sales	10,176	13,798	27,040	38,268
Costs of goods sold	- 4,770	- 7,283	- 13,009	- 20,039
Gross profit	5,406	6,515	14,031	18,229
Marketing and selling costs	- 2,070	- 1,260	- 7,136	- 6,151
Administration costs	- 3,931	- 2,318	- 13,584	- 11,493
Research and development costs	- 8,080	- 7,313	- 29,648	- 27,078
Write-down of fixed assets	-	- 2,128	-	- 2,128
Other operating income	315	-	512	-
Other operating costs	- 135	- 513	- 135	- 1,019
Operating income	- 8,495	- 7,017	- 35,960	- 29,640
Interest income	162	41	683	438
Interest costs	- 1,488	- 535	- 4,900	- 2,712
Income before taxes	- 9,821	- 7,511	- 40,177	- 31,914
Taxes	-	-	-	-
Income after taxes	- 9,821	- 7,511	- 40,177	- 31,914
Depreciations included in the operating income	- 2,996	- 3,102	- 12,513	- 12,338
Earnings per share before dilution (SEK) ¹	-0.05	-0.04	-0.20	-0.18



Consolidated cash flow statement
(SEK 000)

	Oct - Dec 2004	Oct - Dec 2003	Full year 2004	Full year 2003
<u>Operating activities</u>				
Income after financial items	- 9,821	- 7,511	- 40,177	- 31,914
Adjustment for items not affecting cash flow	5,861	5,308	18,753	16,319
Taxes paid	-	-	-	-
Change in operating funds	- 3,645	- 985	- 3,488	- 6,380
Cash flow from operating activities	- 7,605	- 3,188	- 24,912	- 21,975
<u>Investment activities</u>				
Net investments	- 2,436	- 2,907	- 8,210	- 8,652
Cash flow from investment activities	- 2,436	- 2,907	- 8,210	- 8,652
Total cash flow	- 10,041	- 6,095	- 33,122	- 30,627
<u>Financing activities</u>				
Issue of shares for cash	-	-	13,200	42,344
Cash issue supported by warrants	2,519	-	2,559	-
Cash issue pertaining to convertible debenture loan 04/07	-	-	50,413	-
New share issue through conversion of debenture loan 01/04 and 04/07	2,462	-	4,832	28,784
Final settlement of convertible debenture loan 01/04	-	-	- 5,505	-
Issue expenses ³	-	15	- 3,013	- 3,541
Change in debenture loan following conversion	- 2,462	-	- 4,832	- 28,784
Subscription payments	-	84	-	354
Change in liabilities to credit institutions	- 424	- 544	- 21	- 1,955
Cash flow from financing activities	2,095	- 475	57,633	37,202
Cash flow for the year	- 7,946	- 6,570	24,511	6,575
Opening balance liquid assets	39,264	13,377	6,807	232
Closing balance do.	31,318	6,807	31,318	6,807
Change in liquid assets	- 7,946	- 6,570	24,511	6,575



Consolidated balance sheet (SEK 000)

<u>Assets</u>	Dec 31, 2004	Dec 31, 2003	<u>Equity and liabilities</u>	Dec 31, 2004	Dec 31, 2003
Capitalised development costs	24,214	27,047	Share capital	20,507	18,664
Patents	17,473	17,309	Restricted reserves ²	65,574	70,509
Goodwill	1,863	2,468	Accumulated deficit	- 8,985	- 7,040
Plant and machinery	10,417	11,331	Net loss for the year	- 40,177	- 31,914
Equipment	301	416	Total shareholders' equity	36,919	50,219
Total fixed assets	54,268	58,571			
 Inventories	 8,645	 6,021	Convertible debenture loan	54,523	-
Accounts receivable	3,460	7,973	Liabilities to credit institutions	3,273	3,273
Other receivables	4,135	866	Total long-term liabilities	57,796	3,273
Prepaid costs and accrued income	10,318	5,373	Convertible debenture loan	-	17,506
Cash and bank balances	31,318	6,807	Liabilities to credit institutions	305	326
Total current assets	57,876	27,040	Accounts receivable	6,164	7,028
Total assets	112,144	85,611	Other receivables	2,632	688
 Equity/assets ratio	 33%	 59%	Accrued costs and deferred income	8,328	6,571
Pledged assets	4,746	6,012	Total current liabilities	17,429	32,119
Contingent liabilities	84	None	Total equity and liabilities	112,144	85,611


Change in shareholders' equity (SEK 000)

The Group	Share capital		Restricted reserves		Non-restricted reserves		Total	
	Jan - Dec 2004	Jan - Dec 2003	Jan - Dec 2004	Jan - Dec 2003	Jan - Dec 2004	Jan - Dec 2003	Jan - Dec 2004	Jan - Dec 2003
Opening balance	18,664	13,720	70,509	214,884	-	38,954	- 213,857	50,219
Issue of shares for cash	1,500	3,025	11,700	39,320			13,200	42,345
Cash issue supported by warrants	119		2,440				2,559	-
New share issue through conversion of debenture loan	224	1,919	5,041	26,865			5,265	28,784
Present value adjustment of convertible loan 04/07			4,841				4,841	-
Subscription payments				354			-	354
Issue costs		- 869	-	3,541			- 869	- 3,541
Allocations resolved by the general meeting of shareholders		- 30,200	- 188,419	30,200	188,419		-	-
Changes between non-restricted and restricted shareholders' equity			- 15,692		15,692		-	-
Effect of merger			- 3,211	-	3,211		-	-
Retrieved value-added tax on issue costs		2,063					2,063	-
Translation differences		49	- 51	- 231	- 505	- 182	-	556
Net loss for the year				- 40,177	- 31,914	- 40,177	-	31,914
Closing balance	20,507	18,664	65,574	70,509	- 49,162	- 38,954	36,919	50,219



¹ Average number of shares

	Full year		Oct - Dec	
	2004	2003	2004	2003
Average number of shares	202,782,531	179,319,852	205,069,636	186,637,616
Do. Incl. full dilution	248,196,898	189,928,115	263,326,234	195,123,982
Number of shares at the close of each period:	205,069,636	186,637,616	205,069,636	186,637,616

In compliance with RR18 the result per share after dilution is not reported, in the circumstances that the future shares that could be subscribed for through conversion of debenture loan or exercising warrants could result in improved earnings per share.

² Previous interest cost and interest entered as liability in respect of the convertible debenture loan corresponding to the conversion rate in 2003 and 2004 have been transferred to the share premium as premium on the issued shares, since this interest will not be paid.