

## Q3 2008 Business Results

# Strong Third Quarter Shows Ultratech's Strength

Ultratech's employees did a fantastic job in the third quarter. Despite the unstable economy, revenues and orders both grew. At the All Hands' Meeting on October 16, Art Zafropoulos, Chairman and CEO, congratulated employees on their outstanding performance and said he expected Ultratech to continue to do well in coming quarters.

### Third Quarter Revenue Analysis

Sales during Q3 totaled \$34.4 million, a 7 percent increase over second-quarter sales of \$32.1 million. Comparing 2008 third-quarter sales to 2007 third-quarter sales, revenue increased 37 percent, from \$25.2 million to \$34.4 million. Net income was higher by more than \$4 million, resulting in earnings-per-share (diluted) of \$0.14, compared to a \$0.04 cent loss per share in Q3 2007.

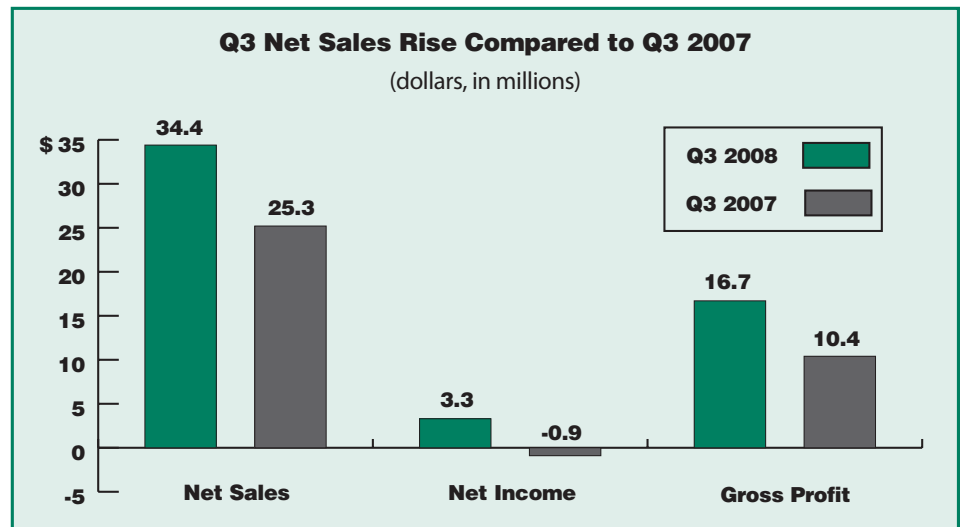
During the third quarter, sales to Asian companies continued to dominate (percentages do not always add up to 100 due to rounding):

- Combined Asia sales were 60 percent of total systems revenue and grew by 59 percent compared to Q3 2007. Sales to Asia, excluding Japan and Taiwan, accounted for 42 percent of total systems revenue. Sales to Taiwan accounted for an additional 14 percent of total systems revenue, while sales to Japan accounted for 4 percent.

- Revenues from companies in Europe and Israel were 25 percent of total systems revenue. This figure grew by 900 percent compared to last year's third quarter.

- The remaining 16 percent of total systems revenue came from the U.S. U.S. systems revenue decreased by 54 percent compared to Q3 2007.

Advanced Packaging systems sales con-



tinued to account for the major portion of our total revenue, 52 percent. LP systems sales were responsible for 19 percent of total revenue, while nanotechnology systems were 8 percent, and service, spares, and licensing revenue was 20 percent.

Gross margins during the third quarter were 48.5 percent, an improvement over Q2 2008's 47.5 percent. We are steadily moving closer toward our long-term operating model of 50 percent gross margins. Operating margin was 8 percent, and cash flow increased by \$11 million.

### Signs of Health

More systems were ordered than shipped

during the quarter, even though Ultratech shipped 40 percent more systems during Q3 than during Q2. Third quarter book-to-bill ratio (comparison of orders booked to systems shipped) was greater than 1 to 1. Ultratech has now experienced three quarters in a row with a book-to-bill ratio greater than 1 to 1. Art also reported that our backlog (systems ordered but not yet shipped) is growing, a positive sign.

During Q3, we received orders from every geographical region. Bookings from Asia excluding Japan were 34 percent of the total; European orders were 28 percent; Japan orders were 23 percent; and North

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# President's and Chairman's Awards

**A**t the All Hands' Meeting on October 16, two Ultratech employees received special awards recognizing their outstanding contributions to our business.

Belinda Kause received the President's Award. Belinda is Sales Support Manager. She supports North American Sales and reports to Russ Friedman, Vice President of Sales for North America and Europe.

In presenting the award to Belinda in absentia (Belinda works out of Michi-



*Yun Wang (above) received this year's Chairman's Award. Belinda Kause (left) received this year's President's Award.*

gan), Art commented that she has done a "super job" of supporting sales. Belinda comments, "I am honored to receive the President's Award. Ultratech is a wonderful company to work for, and I am looking forward to being part of its exciting future. I would like to thank the many hard-working people in San Jose and in the field who support me."

Yun Wang, CTO of Laser Processing, received the Chairman's Award. He has been with Ultratech for more than 10

years. Art commented that Yun has been "critical" in developing our laser processing technology and "instrumental" in its success.

In accepting the award, Jun said that he felt fortunate to have been involved in laser processing at Ultratech from its early stages. He also said that he thinks Ultratech excels not only at coming up with exciting ideas but also implementing them, which he called "a big achievement."

Congratulations to Belinda and Yun!

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American orders were 15 percent.

Our Advanced Packaging market share grew to nearly 90 percent during the quarter. Our biggest AP customer is predicting growth for next year, and we expect to see continued strong sales to this customer. Another US customer recently opened a new fab in Asia, and our first AP tool has been installed and accepted there. In general, the wireless, cell phone, and PC markets have both been predicted to grow next year, resulting in likely continued strong AP tool sales. Through-silicon via (TSV) technology for stacking chips will also likely have a positive impact on AP sales.

In the LP market, several exciting things are happening:

- Five new systems were booked during

the third quarter and beginning of the fourth. Bookings for the current fourth quarter are looking strong.

- The number of systems in production at the 45 nanometer node will double this year. The number of wafer starts at 65 nanometers is also increasing.

- We have received several repeat orders and multiple system orders. Recently, a US company that already has one 45 nanometer tool in production transferred its Ultratech LSA technology to three leading foundries in Asia and booked a multiple system order.

- Recently, the first two LSA tools were installed and accepted at a customer in China. That customer is reporting a high level of satisfaction with the tool.

- A major US technology leader recently selected our LSA process for hi-k metal

gate processing at 32 nanometers.

- We have now sold LSAs to customers in every business region and penetrated more than 85 percent of the largest semiconductor companies.

- We have increased the number of LSA process steps for junction formation to four. Ultratech's technical staff is developing additional applications and insertion points for this advanced laser technology.

## Great Balance Sheet

Ultratech continued to maintain a substantial positive balance of liquid assets. At the end of the quarter, we had \$151.9 million in cash and short-term investments, compared to \$132 million at the end of last year. We have no long-term debt, and cash flow for the quarter was positive. "Our out-

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# Applications Conference Focus: Wide-Field Lens

## Successful Meeting Brings Applications Engineers Together

On October 14th, the Applications group came together to discuss the AP wide-field lens stepper project and how the system will be implemented and supported in the field. About twenty Ultratech personnel from Applications and other groups attended the conference, which was the fourteenth annual.

“The event was well received,” comments Max Mikles, Applications/Software Engineer. “Representatives from Document Control, Marketing, Quality, Service, and Software Engineering contributed their perspectives. Attendees commented that we did a good job of staying on-message. By choosing the wide-field lens topic, we were able to make significant progress on identifying issues and clarifying our road map.”

The keynote speaker was Scott Jewler, Senior Vice President of Worldwide Sales and Marketing. The conference was structured around the theme of “past, present, and future.” In the first segment, Khiem Nguyen, Edwin Tadokoro, and David Ogilvie talked about how and why the wide-field lens was developed. Next, Jim Buchanan, Gareth Kenyon, and Timothy Chang, all Field Applications Engineers, talked about how they have worked with customers at specific sites to address stage



Left to right: Jae Woong Yoon, Warren Flack, Alan Walther, Max Mikles, Hai Nguyen, Khiem Nguyen, Moon Chun, Robert Hsieh, David Ogilvie, and Edwin Tadokoro.

travel range requirements on the AP steppers for those customers.

Later in the afternoon, the focus turned toward future support of the wide-field lens. Alan Walther, Robert Hsieh, and Max Mikles, Applications Engineers, each talked about solutions that are being developed or will be developed in the near future. Jim Buchanan, Gareth Kenyon, Alex Chow, and Ha-Ai Nguyen, also Applications Engineers, then talked about specific issues: lens repair, the fan-out process, and grayscale reticle testing. At the end of the afternoon, everyone had a chance to discuss what had come up, and

Khiem Nguyen, Field Applications Manager, wrapped up the conference.

An interesting feature of this year's conference was that no one needed to travel to attend. Five Applications engineers from other regions participated through Cisco MeetingPlace Express. “An organization that is global must communicate effectively,” comments Warren Flack, Senior Director of Worldwide Applications. “The Applications Conference serves an important function in keeping everyone informed of new developments, common issues, and progress toward solutions.”

## SemiLEDs Orders Multiple Litho Systems

Ultratech recently received a multiple-system order from SemiLEDs, an American company that is a leading supplier of high-brightness laser-emitting diodes (HBLEDs). SemiLEDs will use the Star 100 tools to manufacture white light, HBLED, high-power, UVC LED, and other advanced lighting applications at its manufacturing facility in Hsinchu, Taiwan.

Explains Trung Tri Doan, SemiLEDs' Corporate Chairman and CEO: “With

improved alignment and resolution of the Star 100 Ultratech stepper system, we will start volume production of our advanced UVA high-power LED product family. This new family will enable new LED applications that could only be dreamed of. We selected Ultratech's lithography steppers based on the tools' high reliability and low cost of ownership. As a valued partner, Ultratech will continue to play an integral role as advanced LED device volumes grow, and

we continue to expand our worldwide leadership position.”

Art Zafirpoulo comments that this order reinforces Ultratech's focus on energy conservation. “Lighting utilizes approximately 20 percent of global energy. As a result, the industry is transitioning to HBLEDs, which have a long life and use only a fraction of energy compared to incandescent and fluorescent lighting. We look forward to furthering our relationship with SemiLEDs.”

# New Parts Exchange Program

## Customer-Owned Material Repair Process Also Enhanced

In order to satisfy customers and win repeat orders, Ultratech must be able to supply replacement parts quickly and effectively. The company has already enhanced its ability to supply replacement parts by creating more parts depots in several regions. Beyond merely expanding our parts locations, however, the company has also initiated a new Parts Exchange Program that will help reduce Unity AP and LSA system repair times by encouraging customers to replace entire components and/or modules rather than engage in time-consuming troubleshooting. Customers will pay a substantially lower cost than standard list price for the replacement part if they return the old part within two weeks. Customers will, however, have to pay for the labor required to perform the parts replacement.

“Certain parts are eligible for the new Parts Exchange program, provided the customer chooses to participate in the program and returns the old part within the time limit,” explains Tammy Landon, Senior Director of Corporate Quality. “We will send out a refurbished or new part to the customer at a substantial discount so

they can install it and get the tool operational again as quickly as possible. We will then analyze the cause of failure and, if possible, rework the old part—or have the vendor do so—so it can be reused.”

The benefit of this new program is that it can save the customer money by minimizing down time. At the same time, system reliability and performance are improved when the customer returns the defective part to Ultratech for root-cause failure analysis.

The program is available to customers now. “We are excited to present this new option to customers and will probably prepare a presentation we can give them to explain its advantages,” comments Dawn Collier, Senior Director of Worldwide Materials.

### Customer-Owned Material Process Revamped


Ultratech has long had a program whereby customers can send in a part to be repaired. Now, Ultratech will be encouraging customers to buy a new component or module at a discounted price rather than repair defective parts, in order to reduce

paperwork and repair time.

Parts qualify to be replaced by a new one under the revamped Customer-Owned Material repair program if

- Standard list price is more than \$10,000
- A new part is available
- The old part is less than 4 years old
- The old part has not previously been repaired, reworked, re-engineered, or modified
- The old part is not damaged or blemished.

If customers do not want to buy a new part or a refurbished part, they can still send the old part back for repair according to standard procedures, if the part meets the aforementioned criteria.

The new Parts Exchange Program and the updated Customer-Owned Material Repair procedure will enable us to serve our customers better by reducing mean-time-to-repair (MTTR) and down time. “We think this initiative represents a substantial enhancement of our parts program,” comments Dawn. “We are excited about putting it into practice.” 

## Safety and Security

### Safe Chemical Handling

In order to protect employees and the environment, Corporate Services has implemented the Chemical Management System (CMS). This internal procedure was established to ensure that before a chemical is approved or rejected, it is reviewed for human health effects, environmental impact, and proper storage, handling, and final disposal requirements. The Chemical Management System procedure is available on the Intranet under Document Control under Chemical Handling, Procedure Chemical Control (CH-15-00476). Please review this document before using chemicals.

Following are the highlights of the procedure:

All new chemicals, whether liquid, gas or solid, must be reviewed by the Chemical Gatekeeper, Tom Tran, using the Chemical Request Form (CH-15-00476-F01), available on the Intranet under Document Control. Chemical Requests must include Material Safety Data Sheets. Chemicals commonly reviewed include not only photolithography chemicals, but also compressed gases, cryogenic liquids used in diagnostic applications and laser operation, and toxic metals (such as lead and lead solder). Chemicals regarded by the State of California as carcinogens are typically rejected or require very re-

strictive engineering and administrative controls, including specialized training and monitoring, to prevent exposure to employees and the environment.

Tom Tran is also responsible for purchasing approved, established chemicals and will store them in specially designed chemical storage areas once they are received. When the department requests chemicals, the department e-mails Tom, who will assist in the transfer of chemicals to designated chemical cabinets in the Cleanroom. Corporate Services also monitors chemical use to determine demand trends and provide a chemical forecast for departments to budget for the following year.

# Know Before You Go

## Use myCIGNA.com To Make the Most of Your Doctor Visits

**W**hen you need health care, the last thing you want is a surprise on the cost. You'd like a fair estimate of your out-of-pocket costs before you go to the doctor. Now, finding that information is easier than ever on myCIGNA.com, where you can log on to find quality and cost information to help you plan your costs when you need specific care. For example:

- Get to know the “Cost & Quality Resources” page under the Health Resources/WebMD® tab.

You can compare health-care facilities based on quality and cost for 29 inpatient procedures, including heart failure, knee replacement, and vaginal delivery/cesarean section. Select “Compare the costs for common procedures performed at hospitals or other facilities.” Select your procedure or condition from the drop-down menu and enter your zip code and travel preferences.



You will receive a list of hospitals and free-standing facilities, and can compare up to five hospitals at a time for quality and cost information.

- When you need a special procedure such as cancer treatment or an organ trans-

plant, consider a facility with a “Centers of Excellence” designation. These facilities have earned the highest scores awarded by CIGNA HealthCare credentialing standards for quality and cost.

Finding high-quality, cost-effective care doesn't have to be complicated. This user-friendly feature is more reason to make myCIGNA.com your one-stop health resource.

CIGNA HealthCare members can also take advantage of other conveniences of myCIGNA.com:

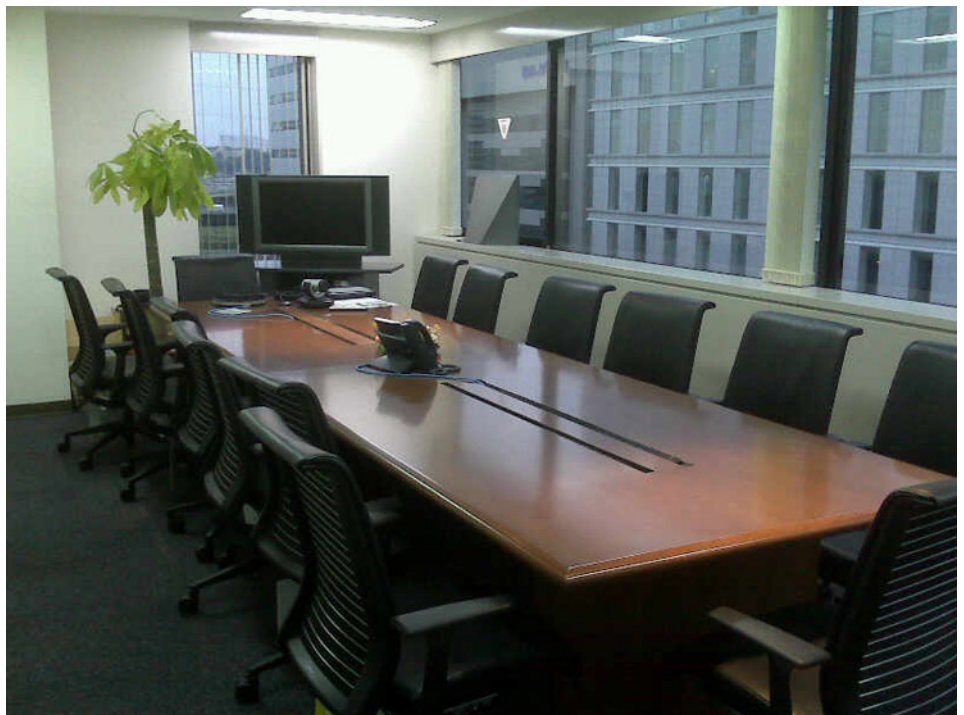
- online access to account balances
- worksheets to estimate out-of-pocket expenses
- lists of medical expenses that qualify for coverage
- other information needed by health-care consumers who are interested in understanding their health-care options. ■

## New Office in Japan

**I**n mid-October, Ultratech moved to a new office in Japan. The state-of-the-art new office is in Shin-Yokohama, outside Tokyo.

“The new location is much more accessible than the previous one,” explains Doug Smith, Facilities Manager. “It is near the Shin Yokohama, Shinkansen station, so travel to the customer's site and to the office is much easier for our employees.” The office features all-new furnishings with glass-front offices and a videoconference room to meet Ultratech's world-class image.

Long hours were spent by Doug and Alex Alejandro along with the UTKK Japan staff. The result was an efficient move and a smooth transition. “The move was successful, despite many unique challenges,” comments Doug. “It was exciting to see months of planning and negotiations come together.” ■



# Use PDAs Safely

Use of Personal Digital Assistants (PDSs) such as Blackberrys, Treos, and Sidekicks is at an all-time high. But improper or excessive use of PDAs can lead to physical problems such as hand throbbing, tendonitis, and swelling. Good training on how to properly use these devices is the best way to prevent these problems from happening.



Here are some tips to remember:

- Take frequent breaks
- Keep e-mails brief
- Restrict use if thumb or hand pain develops
- Contact a doctor if there is severe pain
- Plug the PDA into a full-size keyboard when using it in the office. ■

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standing balance sheet helps demonstrate our strength to customers, employees, and investors,” commented Bruce Wright, Senior Vice President Finance and CFO, at the All Hands’ meeting.

## Looking Forward

Management continues to predict positive financial results for the fourth quarter and

2009. “Capital equipment expenditures are declining industry-wide,” acknowledged Bruce during the conference call with investors. “But we are reconfirming our earlier estimates nonetheless, because we are clearly differentiated from other companies in our sector.” Management expects revenue for the current year to be 15 to 20 percent higher than last year, and revenue for 2009 to be the same as or slightly higher than during 2008. Earnings per share for 2008 are still expected to be

between 40 and 50 cents per share. For next year, earnings per share are expected to be 50 to 70 cents per share.

“We had an excellent third quarter thanks to everyone’s hard work,” said Art at the All Hands meeting. “We expect strong bookings in the fourth quarter and in 2009, especially in the second half of the year. But everyone at Ultratech must continue to work very hard to win orders. Without orders, our business cannot continue to grow.” ■

## September–December Service Anniversaries

Name	Number of Years	Name	Number of Years	Name	Number of Years
David Gaines	5	Sabato Falcone	1		
Julia Young	25	Ginger Nguyen	3	Xin Shi	1
Alan Walther	25	Eric Kurokouchi	3	MJ Faustino	1
Blake Hannigan	25	Jim Willis	3	Yumiko Takahashi	1
George Barmakian	20	Gabriela Wells	3	Janet Marchell	1
Scott Zafropoulos	15	Jeff Mileham	3	Scott Jewler	1
Dave Tatro	15	Scott Cho	3	Chris Chang	1
Joe Archer	15	John DeMartini	3	Jenette Coates	1
Doug Anberg	15	Dennis Melvin	3	Tomoyuki Watanabe	1
Louis Wu	5	Peter Trieu	3		

## Birthdays for November 2008

Robert Emery	1	Brian Flick	10	Dana Allen	23
Cherine Chan	2	Hema Patel	10	Brian DeWitt	23
Todd Ambur	3	Fenardy Siau	11	Farshid Hakimalahi	25
Laura Rebouche	3	Cam Lu	14	Yukio Shida	25
Richard Cussick	4	Ha-Ai Nguyen	16	Gana Rimple	26
Erica Becker	7	Kwok Wai Cheung	16	Marie-Joy Faustino	26
Tammy Landon	7	Anthony Magretto	17	Romeo Ramil	28
Senquan Zhou	7	John Demartini	19	Martin Mallett	28
Manish Ranjan	8	Shaoyin Chen	21	Moshe Avraham	30
Kimberly Williams	9	Robert Ray	22		
Ivan Velarde	9	Scott Zafropoulos	22		

## Birthdays for December 2008

Jennifer Torino	2	Alex Chow	10	Doriel Ettinger	23
Scott Cho	3	Hai-Tan Nguyen	10	George Barmakian	24
William Simmons	5	Kim Le	10	Chris Reagan	29
Louis Wu	5	Salina Faria	13	David Tatro	29
Serguei Anikitchev	8	Dominic Leung	14	Yasuhiko Matsunaga	29
Michael Minassian	8	Chad Beason	17	Wenchie Ramos	29
Guang Hui Shi	9	Janice Akins	18	Martha Brennan	30
Steve Tang	10	Lam Nguyen	20	Thanh Nguyen	31
Travis Traeger	10	Scott Kulas	23		

**Contributors** to this month’s issue of InFocus include: Dawn Collier, Marie-Joy Faustino, Salina Faria, Mike Kierig, Penny Meyerson, Max Mikles, Komal Patel, Laura Rebouché, Doug Smith, and Tom Tran. Thanks, everyone!

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