

Quarterly Report 3/2003

Photonics for Innovation

LINOS

PHOTONICS FOR INNOVATION

Photonics refers to all processes that use light as a tool. As an enabling technology, photonics is the basis and prerequisite for other technological developments and their applications and as a consequence is an innovation driver for future markets of the twenty-first century. LINOS focusses on the promising applications Information Technology & Communications, Health Care & Life Sciences and Industrial Manufacturing.

Key financials at a glance

	IFRS 1/01/- 9/30/2003 EUR '000	IFRS 1/01/- 9/30/2002 EUR '000
Revenue	52,107	53,138
Total performance	53,240	51,371
EBITDA	-124	-2,346
EBITA	-5,139	-7,729
EBIT	-6,542	-9,154
EBITA / revenue	-9.9%	-14.5%
Consolidated net loss (IFRS)	-7,360	-7,103
Earnings per share (DVFA) (undiluted) in EUR	-1.47	-1.42
Earnings per share (DVFA) (diluted) in EUR	-1.47	-1.42
Consolidated net loss (DVFA)	-7,360	-7,117
Cost of materials / total performance	29.2%	26.5%
Personnel expenses / total performance	53.5%	57.9%
Cost of materials + personnel expenses / total performance	82.7%	84.4%
Number of employees on reporting date	844	917

The LINOS AG share

Initial quotation	04.09.2000
Market segment	Prime Standard
Ticker symbol / Reuters code	LIA/LIAG
Security Identification No. / ISIN	525650/DE0005256507
Placement volume	1,540,000 Aktien

**Dear Shareholders,
Employees and Friends of LINOS AG,**

The LINOS Group did not increase revenue substantially in the third quarter of 2003 by comparison with the second quarter. The market for photonics products, which had already been surprisingly slow in the second quarter, did not recover in the past quarter either. Although the Health Care & Life Sciences business division proved to be a stabilising factor again, the two other Information Technology & Communications and Industrial Manufacturing business divisions fell short of our expectations. The positive news from chip manufacturers has not, on the one hand, led so far to the anticipated improvement in business with semiconductor equipment producers. The shortage of funds in public budgets is, on the other hand, depressing business with research laboratories considerably in the meantime.

It has unfortunately not been possible to start deliveries of the order with a volume of EUR 30.6 million placed by a Turkish technology company at the end of March either. Before the contract takes effect, our customer still needs to have a letter of credit opened by a Turkish bank. We were informed in the most recent discussions that the start of the project is being delayed by contract negotiations with other suppliers. This means that substantial revenue from this order cannot be expected in the current fiscal year any more. We are, however, continuing to assume that this project will be making significant contributions to revenue in the next few years.

The increasing signs of a general economic recovery are encouraging. A number of indicators suggest that such a recovery is starting. Demand appears to be growing appreciably in the USA in particular, so that LINOS revenue can be expected to develop positively in the near future.

We already announced further reorganisation measures in the last quarterly report, with the help of which the break-even point is to be lowered. They are depressing quarterly earnings significantly in addition. Negative EBIT of EUR 6.0 to 7.0 million can be assumed for fiscal 2003 as a whole. We expect LINOS to generate considerably better results from the coming quarter onwards.

Göttingen, November 2003



Professor Dr Gerd Litfin
Chief Executive Officer

BUSINESS DEVELOPMENT

Health Care & Life Sciences business division continues to perform impressively

The revenue generated by LINOS AG increased from EUR 16.7 million in the second quarter of 2003 to EUR 16.9 million. This corresponds to 92.3 per cent of the revenue recorded in the third quarter of the previous year (EUR 18.3 million). This development is attributable to the situation on the market for semiconductor equipment as well as in the research & laboratory sector, which continued to be difficult. The very strong euro had an adverse effect on our US business too. At the same time, it is enabling our American competitors to enter the European market at particularly low prices. Revenue in the first three quarters of this year totalled EUR 52.1 million and was thus about 98 per cent of the figure for the same period the previous year (EUR 51.3 million).

Revenue by regions (sales territories)*

	IFRS 7/01 - 9/30/2003 EUR '000	IFRS 7/01 - 9/30/2002 EUR '000	IFRS 1/01 - 9/30/2003 EUR '000	IFRS 1/01 - 9/30/2002 EUR '000
Germany	8,958	8,735	26,657	24,999
Rest of Europe	3,980	5,342	14,070	14,259
USA	2,038	1,964	5,658	8,138
Other	1,911	2,271	5,722	5,742
Revenue	16,887	18,312	52,107	53,138

* The regions have been restructured in 2003. The revenue figures shown for the previous year have been adjusted accordingly to make sure that they are comparable.

As in the previous quarters, LINOS' revenue in **Germany** developed positively. Revenue in this region totalled EUR 26.7 million. This represents an increase of 6.8 per cent over the same period the previous year (EUR 25.0 million). Revenue in the **rest of Europe** in the first nine months amounted to EUR 14.1 million, the equivalent of 98.6 per cent of the figure for the previous year (EUR 14.3 million). Whereas the positive development that continued in Germany is attributable to the Health Care & Life Sciences business division – particularly in the biophotonics (molecular diagnostics market segment) and dental technology fields – business development in the rest of Europe was dictated primarily by a poor order situation with semiconductor equipment manufacturers. In spite of a small increase in revenue in the third quarter, the cumulated figures in the **USA** show that revenue dropped from EUR 8.1 million to EUR 5.6 million (69.1 per cent of the figure in the previous year). The main reason for this reduction is the complete withdrawal from the market of a major customer in the telecommunications segment. Revenue in the **other regions** was hit particularly hard by the negative business development at a customer from the printing industry. Revenue here for the first three quarters of 2003 amounted to EUR 5.7 million, which corresponds to the level in the previous year (EUR 5.7 million).

Revenue by strategic business divisions

	IFRS 7/01 - 9/30/2003 EUR '000	IFRS 7/01 - 9/30/2002 EUR '000	IFRS 1/01 - 9/30/2003 EUR '000	IFRS 1/01 - 9/30/2002 EUR '000
Information Technology & Communications	3,857	4,033	12,545	13,353
Health Care & Life Sciences	5,805	5,731	17,751	16,340
Industrial Manufacturing	7,225	8,548	21,811	23,445
Revenue	16,887	18,312	52,107	53,138

Information Technology & Communications: LINOS generated revenue of EUR 3.9 million in the Information Technology & Communications business division in the third quarter of 2003 (minus 4.4 per cent by comparison with the previous year). The cumulated revenue of EUR 12.5 million in this business division amounted to 93.9 per cent of the previous year (EUR 13.4 million). Several factors contributed to this shortfall: as already mentioned in the explanatory notes about the revenue breakdown by regions, a big customer from the telecommunications field from whom we obtained considerable revenue in the previous year has withdrawn from the market. A key account from the printing industry reduced his orders. The start of a major project with a customer from the lab technology market segment was deferred too, although it has begun in the meantime.

Health Care & Life Sciences: Revenue in the third quarter (EUR 5.8 million) was 1.3 per cent higher than in the same quarter the previous year (EUR 5.7 million). With revenue of EUR 17.8 million in the first nine months of 2003, LINOS achieved an increase of 8.6 per cent over the same period the previous year (EUR 16.3 million). The encouraging development of this business division is attributable to the good market position that LINOS has reached in the biophotonics (molecular diagnostics and bio-research) segments as well as to the increase in demand from the dental technology field. The dermatology market segment continued to develop poorly, on the other hand. The Health Care & Life Sciences business division has proved to be a sound generator of revenue for LINOS for a long time now. The strategy of concentrating on three business divisions is confirming its stabilising impact.

Industrial Manufacturing: Although LINOS increased revenue strongly compared with the previous quarter (EUR 6.2 million), revenue in the quarter under review (EUR 7.2 million) was about 15.5 per cent lower than in the same quarter the previous year (EUR 8.5 million). The cumulated revenue (EUR 21.8 million) corresponded to 93 per cent of the figure for the previous year. The revenue shortfall is due essentially to the research & laboratory and semiconductor market segments. The optical metrology & inspection market segment continues to develop very well, on the other hand.

Development by geographical segments

We generated revenue of EUR 49.1 million in Germany in the first nine months. This is an increase of about 2 per cent over the previous year (EUR 48.2 million). The cumulated sales in the rest of Europe (EUR 2.8 million) were 8.2 per cent higher than in the same period the previous year (EUR 2.6 million). LINOS recorded a substantial shortfall over the previous year in the USA: we only reached EUR 4.5 million, i.e. 61.8 per cent of the revenue in the previous year (EUR 7.3 million). The market exit of our biggest telecommunications customer, the strong euro and the weakness of the market in the USA were responsible for the slow development of the business.

Revenue by geographical segments

(based on the location of the assets)

	IFRS 7/01 - 9/30/2003 EUR '000	IFRS 7/01 - 9/30/2002 EUR '000	IFRS 1/01 - 9/30/2003 EUR '000	IFRS 1/01 - 9/30/2002 EUR '000
Germany	15,748	17,004	49,130	48,152
Rest of Europe	921	931	2,774	2,564
USA	1,625	1,708	4,527	7,331
Elimination	-1,407	-1,331	-4,324	-4,909
Revenue	16,887	18,312	52,107	53,138

Order intake at a low level

Order intake continued to be much too low at EUR 16.0 million compared with EUR 16.9 million in the previous quarter and EUR 20.0 million in the same quarter the previous year. Due to the high order intake in March, the cumulated order intake of EUR 79.0 million up to September 30, 2003 was, however, substantially higher than the figure of EUR 55.9 million for the previous year (plus 41.3 per cent). The total orders on hand at the end of September 2003 amounted to EUR 67.3 million. The figure at the end of September 2002 was EUR 35.6 million. If the large order is disregarded, the orders on hand of EUR 36.7 million were 3 per cent higher than in the first three quarters of 2002.

PROFITABILITY, FINANCIAL POSITION AND ASSET SITUATION

Earnings

The operating loss (EBIT) in the third quarter of 2003 amounted to minus EUR 3.8 million and was thus EUR 2.9 million higher than in the same quarter of the previous year (minus EUR 0.9 million). EBIT were affected in particular by non-recurring expenses of EUR 3.0 million connected with the reorganisation programme that was agreed and special earnings of EUR 0.2 million from a government grant programme. If those extraordinary expenses and earnings are disregarded, the loss from operations of minus EUR 1.0 million was comparable to the previous year – in spite of a reduction of EUR 1.4 million in revenue.

If the development of the business in the course of the year is analysed, it is apparent that the action taken to continue cutting costs (short-time working, elimination of capacity, reduction in other operating expenses) is already starting to have a positive impact: whereas approximately comparable earnings to the third quarter (before extraordinary expenses and earnings) were generated in the first quarter of 2003 with revenue of EUR 18.5 million, EBIT in the third quarter were EUR 0.9 million better than in the second quarter with comparable revenue of EUR 16.7 million. If the personnel expenses ratio is adjusted to eliminate the extraordinary expenses, there was a substantial reduction to 46.6 per cent from 53.2 per cent in the previous quarter.

These figures demonstrate that we are on the right track with our reorganisation programme. We will be continuing it with the goal of reaching break-even (EBT) at an annual revenue level of between EUR 70.0 million and 73.0 million.

EBIT by geographical segments

If the above-mentioned extraordinary expenses and earnings are disregarded, the effectiveness of the cost-cutting measures is indicated when EBIT in Germany are analysed too. EBIT in the USA also improved substantially over the previous quarter and the same quarter the previous year. The higher revenue and the considerably lower foreign currency losses are the main reasons for the difference from the second quarter of 2003 in particular.

EBIT by geographical segments

(based on the location of the assets)

	IFRS 7/01 - 9/30/2003 EUR '000	IFRS 7/01 - 9/30/2002 EUR '000	IFRS 1/01 - 9/30/2003 EUR '000	IFRS 1/01 - 9/30/2002 EUR '000
Germany	-3,766	-943	-6,270	-10,045
Rest of Europe	-26	-5	79	-33
USA	-11	-231	-412	544
Elimination	27	298	61	380
EBIT	-3,776	-881	-6,542	-9,154

Cash flow and funding

LINOS recorded an inflow of EUR 0.6 million in operating activities in the first nine months. We repaid loans of EUR 4.1 million and made investments of EUR 1.2 million during the same period. This led to total changes in cash and cash equivalents of minus EUR 4.7 million.

The banks that have granted the company loans have deferred instalments totalling EUR 3.1 million to finance the reorganisation programme and ongoing business operations. The first instalment that does not have to be repaid at the present time (September 30, 2003) amounts to EUR 1.3 million.

Asset situation

The overall reduction in the non-current assets of EUR 4.1 million in the period under review is attributable to the difference between the total depreciation charge (EUR 6.4 million) and the additions from investments (EUR 1.2 million) as well as to the change in deferred tax assets. The increase of EUR 1.1 million in the trade receivables was the main reason for the higher current assets. The other current assets also increased by EUR 0.9 million. They were offset by a decrease of EUR 0.6 million in cash on hand and bank balances.

A current simulation of the tax situation reveals that the total losses carried forward exceed the taxes on the profits anticipated in the next three to five years. The tax asset based on corporation tax profit expectations has therefore been limited to the figure formed on December 31, 2002.

Liabilities

The increase of EUR 4.8 million in the liabilities is due essentially to the reorganisation programme that was carried out in the third quarter. The relevant balance sheet items in the provisions and other liabilities increased by EUR 3.0 million as a result.

INVESTMENTS: low level of replacement investments

The cash flow used for investments was reduced from EUR 4.8 million in the previous year to EUR 1.2 million. Appropriately enough in view of the current situation, exclusively development services are being capitalised in addition to this, while replacements are being made and measures are being carried out for quality assurance purposes, to satisfy environmental requirements and to meet the needs of customers' orders.

RESEARCH & DEVELOPMENT:

First transfers of major projects to series production

The research and development activities have concentrated to a larger extent on projects for specific customers than on the development of standard products in recent quarters. Initial success is now being produced: we have been able to transfer a number of these projects to series production and are expecting them to lead to revenue growth in the bio-research, lab technology and dental technology market segments.

New developments are generating additional sales with standard products too. New modulators, Pockels cells and optical isolators have, for example, been developed that are now just about to be launched on the market and implemented in series production.

EMPLOYEES: further reorganisation measures

Whereas 39 jobs have been eliminated in Germany since the beginning of the year, a total of 17 employees have been recruited at our Warsaw location. The medium-term objective of the expansion of our location in Poland with comparatively low wage costs is to make sure that optic production is competitive where low-cost products are concerned in particular.

There was short-time working at the Göttingen and Gießen locations in the third quarter of 2003. About 140 employees were affected by this. The reason for it was the ongoing weakness of business in the semiconductor, telecom and research & laboratory market segments.

A reduction of more than 100 jobs is planned as part of the reorganisation programme that has been initiated. The expenses expected in this context have already been capitalised in the current quarterly financial statements.

THE LINOS SHARE: price fluctuations because of the large order

Following the strong increase in the share price in the second quarter to a level of EUR 4.10 on July 1, 2003, the share price fluctuated considerably in the third quarter, ending at EUR 3.02. This means that it developed much worse than the Tec-Dax, which increased by about 16.5 per cent during the same period. After a big drop in July, the share price remained largely stable in August and went back up close to the EUR 4 mark at times in September. This increase can be explained by the expectation that deliveries of the large order from Turkey, for which the conditions have been satisfied at our end, would be beginning in the near future. The fact that the letter of credit has still not been opened by the Turkish partners led at the end of the quarter to another decrease in the share price. Investors are still showing unbroken interest in the LINOS share.

PROSPECTS: reversal of the trend in sight

An increase in revenue over the previous year has become unlikely in the current year for two reasons: the difficult market situation faced by semiconductor equipment manufacturers and in the laboratory field, which has been causing us problems since the first half of the year, will be continuing. In addition to this, revenue that was originally planned for the current year is being deferred because of the delay in the start of deliveries of the Turkey order.

The increase in the goods input due to the change in the revenue mix and the reduction in added value associated with this are influencing the earnings that can be expected for the year. The non-recurring expenses incurred in connection with the new reorganisation programme are raising costs substantially too, so that EBIT for the year of between minus EUR 6.0 million and minus EUR 7.0 million will be generated even if there is an appreciable improvement in earnings in the last quarter of the year. Due to the lowering of the break-even point and the economic recovery that is now becoming apparent in the United States in particular but also in Europe, we are expecting LINOS to experience an emphatic reversal in the trend with increasingly positive results in the next few years.

We are convinced that we as a supplier of high-tech system solutions in the optical technology field continue to be an important partner for our customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2003

The financial statements for the quarter that ended on September 30, 2003 were prepared in accordance with the standards issued by the International Accounting Standards Board (IASB). The accounting methods applied comply with the European Union directives about consolidated financial statement accounting. The same accounting and valuation methods were in addition used as in the financial statements for 2002.

The undiluted earnings per share were determined by dividing the earnings for the period due to the shareholders by the weighted number of shares outstanding during the period. The diluted earnings take into account the weighted average number of shares arising from the exercise of stock subscription rights too. There is no dilution effect due to option rights when the earnings are negative.

LINOS AG acquired a further 45.4 per cent of the share capital of Guided Color Technologies GmbH, Jena, on January 22, 2003. The new shares that were bought are being held for resale in the short term. They were classified as current assets for this reason. The total interest now amounts to 70.2 per cent. The interest of 24.8 per cent is included in the financial statements by the equity method.

In order to increase transparency and present the expenses incurred in pension schemes more accurately, the pension expenses were recorded separately as personnel expenses and interest expenses, whereas they were shown exclusively as personnel expenses in the report on the same quarter the previous year. The figures for the previous year were adjusted accordingly, so that the personnel expenses are EUR 691,000 lower and interest expenses are the same amount higher.

We established a sales company, LINOS Photonics SARL, in Lyons, France, on April 1, 2003. The company was consolidated in full in the Group financial statements for the first time as per June 30, 2003.

LINOS AG acquired minority interests held up to now in Optotecs Sp. z o.o., Warsaw, and S.H.O. Sp. z o.o., Warsaw, with effect from June 27, 2003. LINOS AG now owns 100 per cent of both companies.

Apart from what has been outlined in the section entitled "Profitability, financial position and asset situation", there were no other events of particular significance. No changes were made to the structure of the shareholders' equity during the period under review either. Dividends were neither proposed nor paid. The contingent liabilities and the other financial commitments have not been changed since the last annual financial statements.

The financial statements for the period under review were not audited by the auditors of the consolidated annual financial statements.

Consolidated balance sheet as at September 30, 2003 (IFRS)

Assets	IFRS 9/30/2003 EUR '000	IFRS 12/31/2002 EUR '000
Non-current assets		
Intangible assets		
Patents, trademarks, licences and software	1,006	1,498
Development costs	3,305	3,942
Advance Payments	18	0
	4,329	5,440
Goodwill	21,707	23,132
Property, plant and equipment		
Land and buildings	2,935	3,149
Technical equipment and machines	8,687	9,463
Furniture and vehicles	2,951	3,925
Advance payments and construction in progress	1,281	1,986
	15,854	18,523
Participations included at equity	30	30
Other non-current assets	504	451
Deferred taxes	7,423	6,372
	49,847	53,948
Current assets		
Inventories		
Raw materials and supplies	3,634	3,970
Unfinished goods and services	11,659	11,231
Finished goods and merchandise	5,889	6,033
Advance payments	106	12
	21,288	21,246
Trade receivables	9,413	8,295
Other current assets	1,879	1,009
Current income tax assets	275	350
Cash on hand and bank balances	428	1,026
Prepaid expenses	219	303
	33,502	32,229
	83,349	86,177

Consolidated balance sheet as at June 30, 2003 (IFRS)

Liabilities and shareholders' equity	IFRS 9/30/2003 EUR '000	IFRS 12/31/2002 EUR '000
Shareholders' equity		
Subscribed capital	5,000	5,000
Capital reserve	30,741	30,741
Accumulated currency translation adjustment	-490	-263
Accumulated consolidated net loss	-15,791	-8,431
	19,460	27,047
Minority interests	0	0
Non-current liabilities		
Long-term debt, less current portion	18,070	21,148
Deferred taxes	1,274	1,516
Provision for pension obligations	17,221	16,508
Non-current trade payables	910	816
Other non-current provisions	804	303
Miscellaneous liabilities, less current portion	1,100	1,034
Special item for public subsidies	1,122	931
	40,501	42,256
Current liabilities		
Short-term debt and current portion of long-term debt	11,915	8,675
Current trade payables	3,425	3,080
Payments received on account	248	148
Tax provisions	85	50
Other current provisions	1,269	827
Other current liabilities	6,446	4,094
	23,388	16,874
	83,349	86,177

Consolidated income statement (IFRS)

	7/01 - 9/30/2003 EUR '000	7/01 - 9/30/2002 EUR '000	1/01 - 9/30/2003 EUR '000	1/01 - 9/30/2002 EUR '000
Revenue	16,887	18,312	52,107	53,138
Changes in inventories of finished goods and work in progress	110	-1,396	383	-3,162
Production for other own fixed assets capitalized	254	331	750	1,395
Other operating income	753	519	1,289	1,038
Costs of purchased materials				
Cost of raw materials and supplies and purchased goods	-4,447	-3,726	-13,367	-11,936
Cost of purchased services	-740	-524	-2,188	-1,669
Personnel expenses				
Wages and salaries	-8,451	-7,346	-23,710	-24,807
Social security contributions and other pension costs	-1,536	-1,654	-4,763	-4,941
Depreciation and amortization (including goodwill)	-2,341	-2,309	-6,418	-6,808
Other operating expenses	-4,200	-3,075	-10,299	-11,300
Foreign currency gains / losses	-65	-13	-326	-102
Loss from operations	-3,776	-881	-6,542	-9,154
Interest income	27	29	102	84
Interest expenses	-762	-763	-2,215	-2,394
Income / expenses from participations accounted at equity	-11	5	0	6
Loss before taxes on income	-4,522	-1,610	-8,655	-11,458
Taxes on income	-103	800	1,295	4,341
Loss after taxes on income	-4,625	-810	-7,360	-7,117
Minority interests	0	13	0	14
Consolidated net loss	-4,625	-797	-7,360	-7,103

Earnings per share (IFRS)

	7/01 - 9/30/2003 EUR '000	7/01 - 9/30/2002 EUR '000	1/01 - 9/30/2003 EUR '000	1/01 - 9/30/2002 EUR '000
Undiluted earnings per share				
Consolidated net loss	-4,625	-797	-7,360	-7,103
Shares (weighted average in the fiscal year in thousands)	5,000	5,000	5,000	5,000
Undiluted earnings per share in EUR	-0.93	-0.16	-1.47	-1.42
Diluted earnings per share				
Consolidated net loss	-4,625	-797	-7,360	-7,103
Shares (weighted average in the fiscal year in thousands)	5,000	5,000	5,000	5,000
Diluted earnings per share in EUR	-0.93	-0.16	-1.47	-1.42

Consolidated cash flow statement (IFRS)

	1/01 - 9/30/2003 EUR '000	1/01 - 9/30/2002 EUR '000
Result for the year before profit transfer to minority interests, taxes on income and interest	-6,542	-9,154
- Profit from valuation at fair value	0	-59
+ Depreciation of non-current assets	6,418	6,808
- Appreciation of non-current assets	-98	0
- Profit from asset disposal	-9	-68
+/- Increase / decrease in the provision for pension obligations	713	780
+/- Increase / decrease in other provisions and tax provisions	978	-1,310
+/- Increase / decrease in inventories	-42	3,813
+/- Increase / decrease in trade receivables	-1,118	-1,024
+/- Increase / decrease in other assets	-745	2,263
+/- Increase / decrease in trade payables and other liabilities not allocated to investing or financing activities	3,149	2,988
+ Interest received	101	84
- Interest paid	-2,214	-2,394
+/- Taxes on income	1	-286
= <u>Cash flow from operating activities</u>	<u>592</u>	<u>2,441</u>
+ Cash received from the disposal of property, plant and equipment	17	185
- Cash paid for investments in property, plant and equipment	-528	-3,775
- Cash paid for investments in intangible assets	-655	-1,192
- Cash paid for the acquisition of minority interests	-21	-15
= <u>Cash flow from investing activities</u>	<u>-1,187</u>	<u>-4,797</u>
- Cash paid to redeem financial loans	-4,103	-28,473
+ Cash received from financial loans	0	25,564
= <u>Cash flow from financing activities</u>	<u>-4,103</u>	<u>-2,909</u>
<u>Changes in cash and cash equivalents</u>	-4,698	-5,265
+/- Effect of exchange rate differences on cash on hand and bank balances	-167	-320
+/- Cash and cash equivalents at the beginning of the fiscal year	-842	112
= <u>Cash and cash equivalents at the end of the fiscal year</u>	<u>-5,707</u>	<u>-5,473</u>
<u>Composition of cash and cash equivalents at the end of the fiscal year</u>		
+ Cash on hand and bank balances	428	1,072
- Bank liabilities due on demand	-6,135	-6,545
	<u>-5,707</u>	<u>-5,473</u>

Statement of changes in group equity (IFRS) as at September 30, 2003

	Sub- scribed capital	Capital reserve	Accumulated consolidated net income / loss	Accumulated currency translation adjustments	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at January 1, 2002	5,000	30,741	409	167	36,317
Changes in accumulated currency translation adjustments (profits and losses not included in the income statement)	0	0	0	-320	-320
	<u>5,000</u>	<u>30,741</u>	<u>409</u>	<u>-153</u>	<u>35,997</u>
Consolidated net loss	0	0	-7,103	0	-7,103
Balance as at September 30, 2002	5,000	30,741	-6,694	-153	28,894
Balance as at January 1, 2003	5,000	30,741	-8,431	-263	27,047
Changes in accumulated currency translation adjustments (profits and losses not included in the income statement)	0	0	0	-227	-227
	<u>5,000</u>	<u>30,741</u>	<u>-8,431</u>	<u>-490</u>	<u>26,820</u>
Consolidated net loss	0	0	-7,360	0	-7,360
Balance as at September 30, 2003	5,000	30,741	-15,791	-490	19,460

Notes to the shares and subscription rights of LINOS AG

	Shares 9/30/2003	Options 9/30/2003	Shares 9/30/2002	Options 9/30/2002
Supervisory Board				
Dr Gottfried Neuhaus	0	0	0	0
Reinhold Barlian	0	0	2,000	0
Gerd Kastrop	1,480	0	1,480	0
Total Supervisory Board	1,480	0	3,480	0
Executive Board				
Professor Dr Gerd Litfin	1,793,497	0	2,014,629	0
Dr Holger Schmidt (CTO until March 31, 2003)	--	--	15,000	40,000
Dr Hans-Joachim Richter (COO until March 31, 2003)	--	--	25,000	40,000
Volker Brockmeyer	0	12,000	0	12,000
Total Executive Board	1,793,497	12,000	2,054,629	92,000
Other staff				
LINOS employees *	---	229,333 *	---	202,800
Number of the company's own shares in accordance with § 160 Paragraph 1 Section 2 of the German Company Act (AktG)	0	0	0	0

* Including 40,000 share options held by former Executive Board members

LINOS AG company dates

Publication of the report on the 3rd quarter of 2003	November 14, 2003
Medica, Düsseldorf	November 19 - 22, 2003
German Equity Forum	November 27, 2003
Photonics West, San Jose, California, USA	January 27 - 29, 2004
IPOT, NEC, Birmingham (UK)	February 11 - 12, 2004
Financial press conference (shareholders' letter 2003)	March 30, 2004
Publication of the report on the 1st quarter of 2004	May 12, 2004
Annual Shareholders' Meeting 2004, Göttingen	May 12, 2004
OPTATEC, Frankfurt	June 22 - 25, 2004
MicroScience 2004, ExCel, London (UK)	July 6 - 8, 2004
Publication of the report on the 2nd quarter of 2004	August 12, 2004
Photokina, Cologne	September 28 - October 3, 2004
Publication of the report on the 3rd quarter of 2004	November 11, 2004
Financial press conference (shareholders' letter 2004)	March 31, 2005

Investor Relations

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