

Press Conference

July 4, 2008 – 04:00 p.m., Amsterdam, Okura Hotel

Below, a summary is presented of the topics discussed at the press conference of 4 July. It is not a verbatim transcript of what was said.

What was the reason for this acquisition?

Rood Technology is a relatively small player in the semiconductor market. Lack of scale leads to limitations and makes us vulnerable.

We have been in discussions with Mr Pusch, general manager of Microtec, for three years, in which we regularly discussed our strategies. We were each other's greatest competitors, so we did not discuss business, only the future prospects.

Microtec was also trying to grow, and has done so successfully in recent years. It emerged from a difficult situation and, like Rood Technology, managed to achieve sales growth in the past few years (between 5% and 15%).

We operate in a capital intensive market. A single tester may cost between € 0.5 and 1 million.

The combination of our two companies will be able to generate more sales with the same number of machines. This will mean:

- reduced operating costs;
- disposal of machines will improve the balance sheet;
- less lack of space in the organization.

Within the test arena, major synergy benefits can therefore be achieved.

Matrix organization

The places of business of both companies will remain the same. We intend to set up **one virtual test activity**.

Mr Neuber, Microtec's manager of operations, will lead the entire testing operating for both Rood Technology and Microtec.

We will make it one organization by having a van shuttle from one branch to the other. This is possible as the products we test are very small. By having a van shuttle between the branches daily, we can comfortably have the microchips undergo different operations. In this way, we can set up one virtual organization, and make more efficient use of our capital goods.

Optimization in the area of testing was one of the main reasons for our merger.

We intend also to merge the test engineering activities into one organization.

In the future, Thorsten Bucksch will take responsibility for the entire test engineering operation. No one is better able to improve those processes.

Test engineers

We currently have some 10 test engineers on staff who are specialized in particular areas, such as radio frequency, automotive applications, etc. After we join with Microtec, which has another 6 or 7 of these specialists, we can offer more know-how in these areas of expertise.

In this field, too, we will set up a virtual organization from our branches in Dresden, Nördlingen, Stuttgart and Hannover.

Failure analysis and Qualification

Two areas:

- purely operational; and
- strategic.

Mr Pusch's background is in failure analysis and qualification. He will focus on strategy, while Thorsten Bucksch will deal with the operational side.

Further division of duties:

Mr Pusch will lead the sales team of the entire company in order to improve customer relations. Furthermore, Rood Technology's sales staff will now be able also to offer Microtec's product portfolio, and vice versa, which will result in an increase in sales. Additionally, Microtec has longer experience in supply chain management (SCM).

The operational side of the SCM will be handed to Microtec in Stuttgart. These operations will not be fragmented, which again will lead to synergy benefits.

It will be my job to lead the internal organization, striving to reduce costs, make more efficient use of capital goods and optimize business operations.

We have the advantage of having very similar cultures; however, our histories are very different, and this is something we have to overcome. We must stop competing with each other, and work together to outsmart our competitors.

Successful takeovers

Takeovers usually **fail** when:

- they have been prepared badly and are ill-considered.
Our long 'preparation' process has provided us with a good basis for this takeover. It has not been easy for Microtec's owner, who had a much higher price in mind for Microtec. The reason that we have acquired Microtec for this price was that both parties felt that they belonged together. This has been a major motivation to try and make the negotiations succeed.
Together we have achieved a stronger position, which neither of us could have hoped to achieve on our own.
- both parties have little in common, so that there is little added value.
- the company cultures are so different that no added value can be achieved.
- the integration has not been fully implemented. That takes courage, because companies tend to be islands.

You have to **focus on optimizing** the organization.

We prefer to use the term 'optimization' rather than synergy. The term 'synergy' tends to give people an image of redundancies or branch closures. That is not what we intend to do. Our **aim is to join forces by means of a virtual organization**, to realize more sales and create a stronger position and to grow further with less tied-up capital.

Market reactions

A number of our customers has been counting on our merger for some time. We have operated in the market together, we have both been successful and we have proved that we can realize growth in a stagnating European market.

Profit forecast

We expect to need at least six months to set the organization up effectively. That will involve costs, and no doubt a number of changes. This is why we are cautious in expressing a forecast for the second half of this year.

If you look at the pro forma figures for 2007, in which we have shown what our profit is likely to be after both companies join forces, you see that both companies will continue to grow at a rate of between 5% and 15%. It is therefore not possible that the combined profit will be lower than what we have shown as a comparison for 2007. It will be higher.

A new tester in the business we are in costs about one million euros. That is the same for Rood and for Microtec. Depreciation is between € 200,000 and € 300,000 per annum. Initially, the equipment load of a tester is low. If you can do with buying one tester instead of two, you will halve the depreciation.

Taking into account the offsettable losses that Rood Technology has, the profit before tax that Microtec has proved to be able to make in the past few years will be almost equal to the profit after tax.

This shows that **there is a great deal of strength in the combination of both companies.**

We expect:

- to achieve more sales with less people;
- to have less tied-up capital;
- to have lower depreciation;
- to reduce lease costs.

More sales in combination with the above will lead to a better result.

Synergy effects have not been included in the calculation of the pro forma results.

Investors

Funding for the € 2-3 million needed from the 'official financial world' proved to be unattractive due to the costs involved, which amounted to several hundred thousand euros. As a result, we turned to independent private investors and to TIIN (The Informal Investment Network). A number of private investors approached us on their own initiative, which made attracting risk-bearing capital relatively easy.

Growth of between 5% and 15%

Despite the current predicament of the European semiconductor market, Microtec is expecting to grow at between 5% and 15%.

Microtec focuses on fabless companies in particular (as Rood does). Globally, sales in this area are growing at an enormous rate. There are some 400 of these companies in Europe. Those are the ones we are focusing on, instead of on the stable IDM market.

For financial comments, please refer to the presentation, which can also be inspected on www.roodtechnology.com.

Questions and answers

Could you say something about the costs involved in the takeover?

They have been considerable, several hundred thousand euros. Part of that we can capitalize in the acquisition price. At this time, we cannot say precisely how we will do that.

Can you quantify the synergy effects?

In the area of testers, our investment level is about € 1.5 million per annum, i.e. 1.5 tester every year. The investment level may drop substantially, by as much as 30%. A service contract for a tester alone costs € 20,000 per year, and Rood alone has between 15 and 20 of these testers. This will involve several hundred thousand euros. We have set up a number of working groups, which will detail the synergy effects, or rather the optimization effects.

What will happen to the name?

We will proceed together. This is why the boards of management have been joined. That is a clear indication. We are putting this combination across as a merger, and we will come up with a name that does justice to both companies; think for example of a name like Akzo Nobel.

Has the problem of a lack of engineers been solved?

It is much easier to recruit engineers in Stuttgart and Dresden than in Nördlingen. From that point of view, it was simply necessary to do something.

What about the overlap in customer bases?

There is some overlap, but no more than about 10%-20%. These are small customers. For one customer, we are engaged in the same project, but we have a good relationship with this customer, so there will not be any problems.

Microtec's balance sheet total and depreciation are relatively lower than Rood's. Have they invested less in recent year?

Yes, they have leased equipment more frequently. Actually, you should include that in the calculation. But they have also made some good investments; particularly in some great new testers.

Rood Technology had a good position with Integrated Device Manufacturers (IDMs) like Infineon and NXP.

Microtec historically worked less for IDMs. It uses its testers far more for fabless semiconductor companies. This has the great advantage that you can decide what tester to buy. If you work for an IDM, they tell you what tester to use, which is why Rood had to make those investments. I estimate that over 50% of Microtec's capacity is used for fabless semiconductor companies. Microtec is also more focused on Europe; Rood focuses especially on Germany.

What does Microtec actually do in supply chain management?

Several customers have engaged Microtec to have microchips produced in Asia, to ensure that they are qualified and to deal with the logistics from Asia to Europe.

Mr Pusch used to work for Alcatel, and indeed part of Microtec goes back to Alcatel. Alcatel engaged Microtec for supply chain management. A number of Alcatel companies have been split off and those have also become Microtec customers. So Alcatel is not its biggest customer.

Can you define profitability targets?

Our first objective is to exceed next year what we have presented as pro forma figures for 2007. That is the lower threshold. In the years beyond, we expect to increase that substantially. And the potential is certainly there.

And what are your objectives for the near future?

In the next few years, we will focus on the internal organization and on improving profits. We will also continue to work on the company's strategic development, i.e. strategic partnerships and possibly a small takeover.