intevac

2000 Annual Report

Equipment

Intevac's Equipment Division is a leading supplier of sputtering and other systems used to manufacture thin-film disks for computer hard disk drives. There are approximately 110 Intevac disk sputtering systems installed worldwide at manufacturers including Fuji Electric, Fujitsu Limited, Hitachi, Komag, Mitsubishi, MMC Technology, Nippon Sheet Glass, Seagate Technology, Sony and Trace Storage Technology. These systems are used to manufacture approximately 200 million disks per year, equivalent to about half of worldwide requirements.

The Equipment business also sells flat panel display (FPD) manufacturing equipment. Both sputtering and rapid thermal processing (RTP) systems are offered. FPD sputtering systems are used to manufacture a variety of products ranging from large 60" plasma displays, to small displays for portable communications devices. RTP systems are typically used in the manufacturing of polysilicon active matrix liquid crystal displays.

Photonics

Intevac's Photonics Division develops electro-optical devices that permit highly sensitive detection of photons in the visible and short wave infrared portions of the spectrum. This technology, when combined with advanced silicon integrated circuits, makes it possible to produce highly sensitive digital video cameras.This development work is aimed at creating new products for both military and industrial applications. Products under development include Intensified Digital Video Sensors, LIVAR® systems for positive target identification, and low-cost low-light-level cameras.

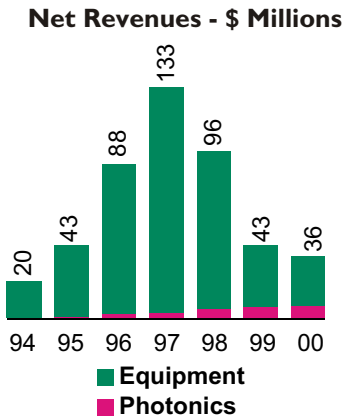
To Our Shareholders

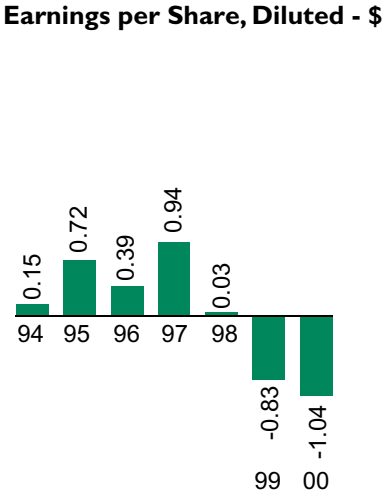
By any definition, 2000 was a difficult and challenging year for Intevac. The company recorded $36 million in revenue, a decline of 16% from 1999. This was the third consecutive year of declining revenues after a three-year period of rapid growth. The loss for 2000 was $12 million, or $1.04 per share, diluted. Traditionally, the majority of our revenue has been derived from the sale of disk manufacturing equipment. The primary reason for the sustained decline was excess capacity in magnetic disk manufacturing, which resulted in virtually no new orders for additional capacity from our customers. This is due, in large part, to the well-documented and phenomenal growth in areal density (bits per square inch), which continues to reduce the number of disks required per disk drive.

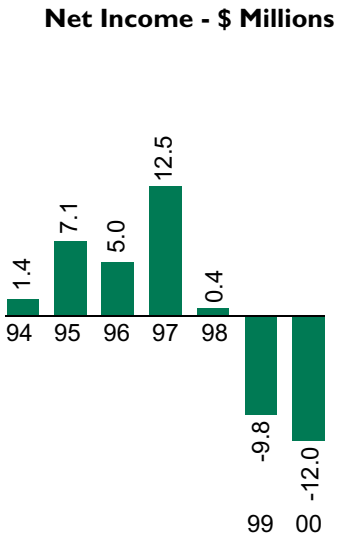
But, the worst is behind us.

Poised for Growth

Although I have been at Intevac for a short time, I am encouraged and excited by the prospects for our disk equipment products, and our initiatives in Flat Panel Display (FPD) equipment and the Photonics area. Our continuing R&D investments during the difficult times are beginning to bear fruit. The new products developed resulted in a substantial order growth during 2000. Our backlog grew 71% during the year to $42 million. We are looking at the FPD equipment and Photonics markets to diversify our sales beyond our traditional disk equipment offerings and to develop a strong foundation for long-term growth. As a result of these efforts, we expect the revenue for 2001 to roughly double from 2000 and that about half of the sales will come from the new business areas.





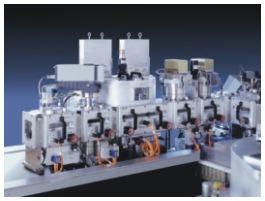


Disk Equipment

Our Equipment Division made progress on a number of fronts during 2000. We completed restructuring the division, which included reducing the size of the facility, establishing a reserve of $5 million related to slow moving systems in inventory and consolidation of our Disk and FPD groups into a single organization. This allowed us not only to reduce overhead, but also to flexibly deploy resources between the Disk and FPD product areas.

New Carbon Processing Station

Areal density has increased by a factor of two in each of the last few years. This doubling in density has barely kept pace with the increasing demand for data storage, which has also been doubling each year. Looking forward we expect that the rate of increase of areal density will slow. This should increase the demand for technology upgrades for our installed base and for new equipment. For example, during 2000, we received orders for technology-enabling products, such as New Carbon Technology stations, MDP-250 B+ upgrades, MDP-200 cluster tool modules, and our Super Lattice Source (SLS). Our SLS product is being developed under a two-year cost-sharing program with the National Institute of Standards and Technology. The goal is to develop a new type of sputtering source that can apply two dissimilar materials in up to fifty ultra-thin alternating layers. The source will be used by our customers to develop both laminate and perpendicular media, two approaches that offer the prospect of dramatic increase in areal density over current production techniques.



MPD-200 Cluster Tool

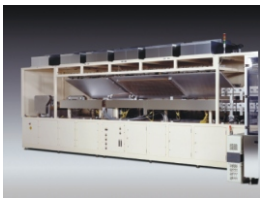
Flat Panel Display Equipment

The convergence of communication, Internet and networking technologies has created a large market for color LCD displays for portable appliances, such as cell phones, PDA's, and others. Additionally, there is increased use of FPD's in desktop monitors and large area TV monitors. The market for FPD manufacturing equipment is significantly larger than the market for disk manufacturing equipment, and Stanford Resources projects that it will grow by about 20% per year.

D-STAR® Flat Panel Sputtering System

Intevac applied its core competencies from disk sputtering equipment and designed a state-of-the-art FPD sputter tool. The cluster architecture of Intevac's D-STAR® allows customers to deposit complex stacks of metal and dielectric films with a system that has a small footprint and a low cost of ownership. The highlight for the FPD equipment business was winning a $22 million order from a leading Japanese display manufacturer for five D-STAR systems to be delivered during 2001.

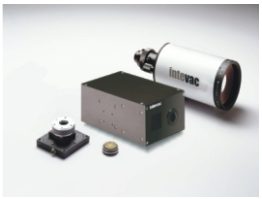
We continue to win new business with our unique Rapid Thermal Processing system. The system is typically used in manufacturing of FPD's and offers a technologically superior approach to annealing substrates compared to batch furnace anneal.



Rapid Thermal Processing System

Photonics

Our Photonics Division was founded in 1995. Since then, it has conducted extensive research under a number of US Government contracts and has developed a proprietary base of technology related to the manufacture of highly sensitive cameras. We expect these cameras to have revolutionary applications in both military and commercial markets.



LIVAR® Model 120

Our LIVAR® target identification system will offer the military the capability to visually identify targets at ranges in excess of 20 kilometers, a factor-of-seven increase in the identification range over the best fielded forward looking infrared (FLIR) systems and addresses a market that we estimate could cumulatively reach a billion dollars during the next ten years. During 2000 we introduced our first standard LIVAR product, the Model 120. We expect to complete the prototype for the first man-portable version of LIVAR for the Army during 2001.

Our Electron Bombarded Active Pixel Sensor (EBAPS™) camera, which we are developing with the assistance of the National Institute of Standards and Technology and National Semiconductor, will bring night vision performance to a low cost, day-night, mega-pixel digital video format. The EBAPS camera is quite small, about an inch square, and a quarter inch thick. It will incorporate a state-of-the-art CMOS chip, a multi-layer ceramic package and a high efficiency photo-cathode. Our target is a $500 price for commercial applications, such as closed circuit TV for security applications. We expect that this unit will also have significant military use. This sensor will enable the military to replace direct view night vision with digital video based systems that permit imagery from multiple sensors and other digital information to be displayed on a small display.

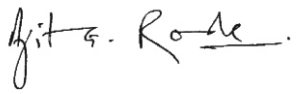
EBAPS™ Camera

The available markets for these devices are large. The commercial security CCTV market is in the order of $1 billion dollars per year. Since security risks are greater at night, we expect to capture a meaningful portion of that market. Today the cost of nighttime CCTV cameras is significantly greater than daytime cameras. By closing this gap to a few hundred dollars and offering both day and night capability, we think this will be an attractive commercial product.

The United States Military direct view night vision market is around $200 million per year, and the installed base represents around a $2 billion investment. These units perform well but are limited due to their direct view design. The availability of the EBAPS digital sensor and the availability of suitable displays will make it possible to achieve comparable night vision capability with many more features. We expect the EBAPS camera to be purchased in high volume for military applications.

Conclusion

In conclusion, I would like to thank our employees for their hard work and our shareholders for their support during the past difficult years. Although I am not satisfied with our financial performance during 2000, I believe we have turned the corner and built a solid foundation for a more diversified Intevac. I look forward to reporting improved performance in the coming year.



Ajit Rode
Chief Executive Officer
Intevac, Inc.

Corporate Information

Board of Directors

Edward Durbin (1991)[1]
Retired
Former Vice Chairman Kaiser Aerospace and Electronics

Robert D. Hempstead (1997)
Chief Technology Officer, VEECO Instruments

David N. Lambeth (1996)[1,2]
Professor of Electrical and Computer Engineering and Professor of Materials Science and Engineering at Carnegie Mellon University

Norman H. Pond (1990)
Chairman, Intevac, Inc.

H. Joseph Smead (1990)[2]
Retired
Former Chairman Kaiser Aerospace and Electronics

[1] Member of Audit Committee
[2] Member of Compensation Committee
() Indicates year joined Board of Directors

Officers

Verle W. Aebi (1991)
President, Photonics Technology Division

Terry Bluck (1996)
Vice President, Equipment Engineering

Charles B. Eddy (1991)
Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary

Daniel E. Gentry (1991)
Vice President, Sales and Marketing

John L. Hughes (1991)
Vice President, Technology

Timothy E. Justyn (1991)
Vice President, Operations

Myron Moreno (1997)
Vice President, Customer Service

Norman H. Pond (1990)
Chairman

Ajit Rode (2000)
CEO, President Equipment Division

Robert Weiss (1991)
Vice President, Process Engineering

() Indicates year joined Intevac

Corporate Headquarters

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Investor Information

The Company's Annual Report, its 10-K and 10-Q reports to the SEC, and other information about Intevac, Inc. are available by phone request at (408) 496-9888 or by e-mail request to ksinclair@intevac.com. The Company's Internet home page can be found at www.intevac.com.

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General Counsel

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Common Stock

The Company's Common Stock trades on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol IVAC.

Stock Price History

Closing Prices for Quarter Ended

	4/1/00	7/1/00	9/30/00	12/31/00
High	$8.00	$4.63	$7.09	$5.13
Low	$3.50	$2.69	$3.31	$3.13

Dividends

The Company does not currently anticipate paying any cash dividends.

Annual Meeting of Shareholders

The annual meeting of shareholders will be held at the Company's offices at 9:00 a.m. PDT on May 15, 2000

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