



INTEVAC



ANNUAL REPORT ● 2008

CORPORATE PROFILE

INTEVAC, INC.

We are the world's leading provider of magnetic media equipment to hard disk manufacturers and offer advanced etch technology systems to the semiconductor industry. In our Photonics business, we provide leading edge, high sensitivity imaging products and vision systems, as well as handheld miniature Raman instruments for real-time materials identification, to military and commercial markets.

Our magnetic media equipment business designs, manufactures, markets and services high-productivity capital equipment which deposits and/or modifies highly engineered thin films on magnetic disks used in hard disk drives. We believe our magnetic media systems represent approximately 60% of the installed capacity worldwide. Our customers include Seagate Technology, Hitachi Global Storage Technologies and Fuji Electric. We believe the continued growth of storage demand for digital data and increasing technology advancements will provide us with significant future opportunities to sell magnetic media manufacturing equipment.

Our semiconductor equipment business designs, manufactures, markets and services capital equipment for the dielectric etch market. Our Lean Etch™ system is capable of addressing the most advanced etch applications by providing enabling technology at double the throughput compared to etch systems currently offered in the market.

Our Photonics business develops, manufactures and markets digital low light sensors, cameras and systems for government applications such as digital night vision and long range target identification and commercial applications in the inspection, medical, scientific, hazardous materials, law enforcement and security industries. Our revenues are derived from research and development contracts funded by the U.S. government and increasingly from product sales in both the government and commercial markets. Our products serve various markets within the multi-hundred million dollar Photonics industry.

FORWARD LOOKING STATEMENTS

The annual stockholder letter contains forward looking statements which involve risks and uncertainties. Words such as "believes", "expects", "anticipates" and the like indicate forward looking statements. These forward looking statements include comments related to our projected revenue, gross margin, operating expense, profitability, projected volatility in our financial results; projected customer requirements for new capacity and technology upgrades for our installed base of magnetic disk manufacturing equipment and when, and if, our customers will place orders for these products; demand for hard disk drives and memory, length of development, marketing and deployment cycles for our new products; our Photonics business' ability to proliferate its technology into major military weapons programs, develop and introduce commercial products and successfully integrate acquisitions. Our actual results may differ materially from the results discussed in the forward looking statements for a variety of reasons, including those set forth under "Risk Factors" and should be read in conjunction with the Consolidated Financial Statements and related Notes contained elsewhere in this Annual Report on Form 10-K.

INTEVAC 2008

“...our new product development programs...will bolster our leadership position and expand our market opportunity within the hard drive media industry, diversify our company into new equipment markets and enable continued growth in our Photonics business.”

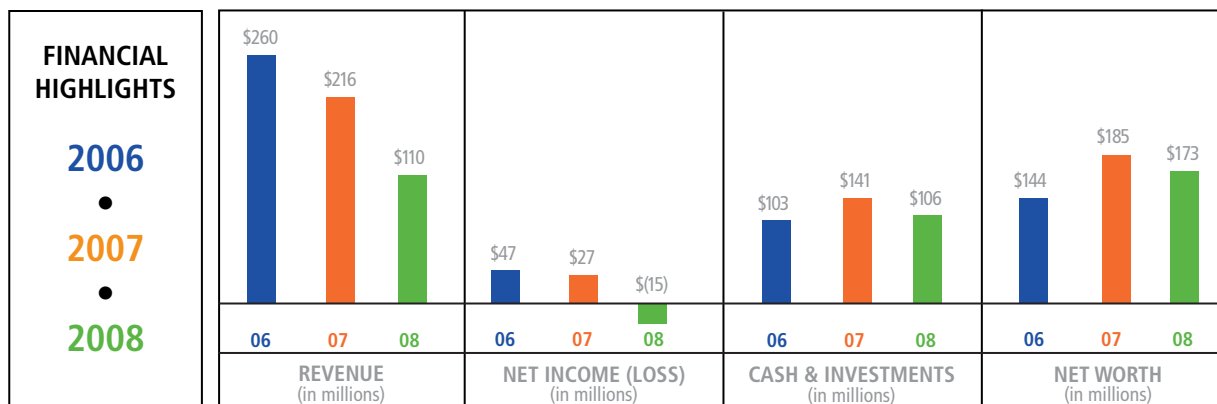
KEVIN FAIRBAIRN, PRESIDENT & CEO

2008 was a challenging year for Intevac. We entered the year expecting reduced levels of new system shipments to our hard drive customers compared to strong sales for the prior two years. As our customers' end markets began to deteriorate rapidly in the second half of 2008, we responded by aggressively bringing our costs down while still executing on our new product development programs. These programs will bolster our leadership position and expand our market opportunity within the hard drive media industry, diversify our company into new equipment markets and enable continued growth in our Photonics business.

We ended the year with \$110.3 million in revenues, a significant drop compared to the prior year. The major contributor to this decline was the redeployment by one of our major customers of 20 legacy sputtering systems, which had previously been in storage, back into production.

In our Photonics business, we achieved 19% revenue growth for the year, which was strong performance given weakening economic conditions.

Our net loss for the year was \$15.3 million or \$0.71 per share. The net loss included a goodwill and intangible asset impairment charge of \$0.34 per share as well as \$0.22 per share in equity-based compensation expense. We achieved gross margins of 39.3%, down from 44.5% in 2007 but higher than our record revenue year of 2006. We ended the year with cash and investments of \$106 million, which declined from the prior year primarily as a result of our acquisition of Oerlikon's media deposition business, the valuation adjustment for our Auction Rate Securities and changes in working capital as we continued to closely manage our cost structure and cash flow.



INTEVAC EQUIPMENT



Think Lean. Create Value.

MAGNETIC MEDIA MANUFACTURING EQUIPMENT

In 2008, we introduced our latest generation magnetic media manufacturing system, the 200 Lean[®] Gen II. The Gen II provides a 25% improvement in throughput compared to the original 200 Lean. We shipped our first Gen II in the first quarter of 2008 and recognized revenue on four Gen II systems in the year, out of a total of eleven 200 Lean systems shipped in 2008. The Gen II demonstrates our continued success in developing products that meet our customers' needs for higher productivity and reduced manufacturing costs.

We made positive progress in 2008 developing new production technologies that address Patterned Media, the next major media technology transition for the hard drive industry. The first phase of Patterned Media involves creating discrete media recording tracks on the disks through lithography patterning and subsequent etching. Our customers are in the late stages of R&D with this technology. To prove initial feasibility of Patterned Media technology, these customers have been using silicon wafer-related process equipment, which is not compatible with the high productivity and low cost demands of the media manufacturing industry. We will provide a cost-effective solution for high volume manufacturing by providing new etch and associated process modules on our high productivity 200 Lean platform. The last major technology transition, to perpendicular media, drove our business to record levels in 2006. We expect the impact to our business, related to the transition to Patterned Media, will be greater than the transition to perpendicular media. Patterned Media will double our served market because twice the number of 200 Lean systems will be required per media manufacturing line to produce the same output. It is anticipated that this new media technology will be in production by 2012.

Also in 2008, as part of the ongoing consolidation in the industry, we acquired Oerlikon's media deposition business, enabling us to strengthen our intellectual property portfolio and expand the process solutions available to our customers.

SEMICONDUCTOR EQUIPMENT

Our Lean Etch system is capable of addressing the most demanding 300mm etch applications by providing enabling technology at twice the throughput of etch systems currently available. Market penetration with this product has been slower than we anticipated. We hope to improve this situation through our groundbreaking alliance with the Korean semiconductor equipment company, TES Co., Ltd. We have created a unique approach to achieving commercial success for our Lean Etch through a mutual marketing, manufacturing, sales and royalty arrangement.

While we are in the midst of an unprecedented decline in capital spending for semiconductor manufacturing, we are encouraged by our alliance with TES and believe that it will put us in a strong market position to benefit from the future recovery of capital spending in the semiconductor industry.

INTEVAC PHOTONICS

Night Port
Digital Night Vision



ReporteR™
Real-Time Materials
Identification



Innovation at the Speed of Light®

2008 was a strong year for our Photonics business. We achieved record revenues and expanded our product portfolio through organic development and strategic acquisitions. Photonics revenues for 2008 were \$22.8 million and included \$14.3 million in research and development contracts and \$8.5 million in product sales. We continued our transition from a research and development contract centric business to a business that will be driven primarily by product sales. Product revenues grew 62% year-over-year, and comprised 37% of our total Photonics sales, up from only 15% just two years ago.

In our military digital night vision business, productization of our digital low light camera technology continued at a brisk pace. Late in 2008 we resumed production deliveries of higher performance, export approved camera modules to Sagem, our NATO customer. Domestically, we received our first production order for our night vision camera module for a U.S. military avionics application.

We are excited by the major strides we made in 2008 in advancing the state of the art performance for low light imaging with our latest digital night vision sensor. This sensor will be rapidly deployed in multiple advanced night vision systems products and programs for the U.S. military.

We made significant progress in 2008 in the development of head mounted digital night vision systems. In 2009, we will deliver, with our partner DRS Technologies, second generation enhanced performance prototypes of our Digital Enhanced Night Vision Goggle (DENVG), which digitally combines night vision and thermal imaging for the U.S. Army. The U.S. Army is currently evaluating DENVG prototypes from two other competitors, one of which incorporates our digital night vision sensor. We expect that the Army will award one of these three potential suppliers with a significant initial production contract in 2012. We also developed Night Port™, a compact monocular system that provides full digital state of the art night vision viewing and recording capabilities and is a direct digital replacement for analog night vision goggles. Night Port will be the first commercially available digital night vision system that will give Intevac the valuable experience necessary to help us achieve our goal of becoming a leading supplier of digital head mounted night vision systems.

In our commercial business, we refocused our sales efforts toward product opportunities with volume-based end user or OEM applications in our served markets. Leading our growth in this area were our DeltaNu handheld Raman instruments, which provide portable, real-time materials identification. In 2008, revenues from our handheld Raman instruments increased nearly four-fold over 2007.

LOOKING FORWARD



INTEVAC 2009

Our equipment customers, while not needing capacity tools in the short term, do need new innovative solutions to address their technology and cost challenges. No company can afford to fall behind in technology without impacting their market share and profitability. In 2009, we expect to complete the development and shipment of 200 Lean systems configured with etch and related process modules for Patterned Media pilot lines. By 2012, as Patterned Media ramps, we expect to see a doubling of our market opportunity for 200 Lean sales.

When the economy recovers, we expect a significant snap back in demand for our media manufacturing systems. The fundamental driving force for digital storage growth is not abating. We are also witnessing substantial selling price reductions for mobile computers driven by the emergence of Netbook computers. We expect this to drive increased future demand for hard drives and therefore the need for more 200 Lean capacity buys.

In the semiconductor area, we plan to get our Lean Etch system qualified in 2009 through our alliance partner, so we will be ready for follow-on orders when the industry recovers. We anticipate our Photonics business will continue its rapid growth, driven by increased product sales, which we expect to contribute to at least half our Photonics revenues in 2009.

We believe our low light digital sensors and cameras are state of the art for addressing the U.S. military and NATO's roadmap requirements for enhanced night vision and long range identification. Multiple programs, some now in the initial production phase, are using our technology. In 2009, additional programs will enter the production phase and contribute to the growth in our Photonics business. We will continue to develop leading edge head mounted night vision systems using our sensors and our expertise in low power video processing electronics and near eye displays. Head mounted night vision systems is a multi-hundred million dollar market today, served by a few companies. Our goal is to gain significant market share as the technology moves from analog tubes to digital-based sensors.

In the commercial markets, we will continue to market our capability to create winning low light camera solutions for OEM customers who are looking to enhance or create new products. We expect to continue the strong growth in our handheld real-time materials identification instruments and will further enhance the capability of our instruments by incorporating our unique sensors.

The year ahead will be challenging, but we are well positioned to weather the current economic downturn. Our financial foundation is supported by a strong balance sheet that is free of debt, and we continue to prudently manage the business to minimize our cash burn, while driving ongoing operational improvements. Our diligent focus on innovation coupled with efforts to create a leaner, more efficient organization positions us for future profitable growth.

I would like to express my sincere appreciation and thanks to all our employees for their commitment, hard work and creativity, as well as to our customers and stockholders for their continuing support.

Kevin Fairbairn

President and Chief Executive Officer



CORPORATE INFORMATION

CORPORATE HEADQUARTERS

3560 Bassett Street
Santa Clara, CA • 95054-2704
408-986-9888

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 at www.intevac.com or by e-mail to jdiener@intevac.com.

INVESTOR RELATIONS CONTACT

JEFFREY S. ANDRESON
(408) 986-9888

REGISTRAR AND TRANSFER AGENT

COMPUTERSHARE TRUST COMPANY
N.A.P.O. Box 43078
Providence, RI • 02940-3078
www.computershare.com

INDEPENDENT AUDITORS

GRANT THORNTON LLP
150 Almaden Blvd. Suite 600
San Jose, CA • 95113

GENERAL COUNSEL

WILSON SONSINI GOODRICH & ROSATI
650 Page Mill Road
Palo Alto, CA • 94304-1050

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 the quarter ended:
3/29/08 6/28/08 9/27/08 12/31/08
High \$14.28 \$17.46 \$13.32 \$10.64
Low \$10.14 \$11.16 \$ 9.50 \$ 3.93

DIVIDENDS

The Company has not paid or declared any cash dividends.

2009 ANNUAL STOCKHOLDERS' MEETING

Intevac's Annual Stockholders' Meeting will be held on Thursday, May 14, 2009 at 4:30 p.m. (PDT) at Intevac Corporate Headquarters: 3560 Bassett Street, Santa Clara, California 95054.

CORPORATE OFFICERS

VERLE W. AEBI (1991)
Chief Technology Officer, Intevac Photonics

JEFFREY S. ANDRESON (2007)
Executive Vice President,
Finance and Administration,
Chief Financial Officer, Treasurer and Secretary

MICHAEL S. BARNES (2006)
Executive Vice President and
Chief Technical Officer

JAMES P. BIRT (2004)
Vice President, Customer Support,
Equipment Products

TERRY M. BLUCK (2004)
Vice President, Technology,
Equipment Products

KIMBERLY M. BURK (2000)
Vice President, Human Resources

JEROME T. CAROLLO (2007)
Vice President and General Manager,
Intevac Vision Systems

KEITH CARRON (2007)
Vice President and General Manager,
DeltaNu

TIMOTHY E. JUSTYN (1991)
Vice President, Operations,
Intevac Photonics

DAVID L. KELLY (2006)
Vice President, Engineering,
Intevac Photonics

RALPH C. KERNS (2003)
Vice President, Business Development,
Equipment Products

JOSEPH S. PIETRAS (2006)
Executive Vice President and General Manager,
Intevac Photonics

NORMAN H. POND (1990)
Chairman of the Board

MICHAEL A. RUSSAK (2008)
Executive Vice President, Business Development,
Equipment Products

BOARD OF DIRECTORS

DAVID S. DURY (2002)^{1,4}
Co-Founder, Mentor Capital Group LLC

KEVIN P. FAIRBAIRN (2002)
President and Chief Executive Officer

STANLEY J. HILL (2004)^{1,3}
Former Chairman and Chief Executive Officer,
Kaiser Aerospace & Electronics Corporation

ROBERT A. LEMOS (2002)^{1,2}
Former Chief Financial Officer,
Varian Associates

NORMAN H. POND (1990)
Chairman of the Board

PING YANG (2006)^{2,3}
Former Vice President,
Research and Development,
Taiwan Semiconductor Manufacturing
Company (TSMC)

¹ MEMBER OF THE AUDIT COMMITTEE

² MEMBER OF THE COMPENSATION COMMITTEE

³ MEMBER OF THE NOMINATING AND GOVERNANCE
COMMITTEE

⁴ LEAD INDEPENDENT DIRECTOR

THE YEAR () FOLLOWING EACH NAME INDICATES WHEN
THE INDIVIDUAL JOINED INTEVAC AND/OR THE INTEVAC
BOARD OF DIRECTORS



INTEVAC



INTEVAC, INC.

3560 Bassett St.
Santa Clara, CA 95054
P: 408-986-9888
F: 408-988-8145
www.intevac.com

DELTANU

Intevac Photonics, Inc.
5452 Old Highway 130
Laramie, WY 82070
P: (307) 745-9148
F: (307) 745-9152
www.deltanu.com

INTEVAC ASIA PTE., LTD.

6, Marsiling Lane
Block C # 01-00
Singapore 739145
P: 65-6368-6863
F: 65-6368-5601

INTEVAC JAPAN K. K.

Takuei Yokohama Nishiguchi Bldg. 6F
3-30-5 Tsuruya-cho
Kanagawa-ku Yokohama
Kanagawa Japan 221-0835
P: 81-45-317-3455
F: 81-45-312-3535

INTEVAC PHOTONICS, INC.

3560 Bassett St.
Santa Clara, CA 95054
P: 408-986-9888
F: 408-988-8145
www.intevac.com

INTEVAC VISION SYSTEMS

Intevac Photonics, Inc.
5909 Sea Lion Place,
Ste. A/B
Carlsbad, CA 92081
P: 760.476.0339
F: 760.476.0620

INTEVAC SHENZHEN CO. LTD.

P.O. Box 40, Shen Fu Bao Bldg.
Suite 1708-1710, Shen Fu Bao Bldg.
128 Rong Hua Road,
Futian Free Trade Zone
Shenzhen, Guangdong,
P.R. China 518038
P: 86-755-8348-4020
F: 86-755-8348-4035

INTEVAC MALAYSIA

Sdn. Bldg., Suite 10 & 11
First Floor, Techno Centre,
Kulim Hi-Tech Park,
09000 Kulim,
Kedah Darul Aman, Malaysia
P: 60-4-403-7880
F: 60-4-403-4882

