

# Quarterly Report

Fiscal year 2004 - 3<sup>rd</sup> quarter ended June 30, 2004



ROFIN-SINAR Technologies Inc.

NASDAQ: RSTI  
Prime Standard: 902757

WE THINK LASER

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

Commission file number: 000-21377

ROFIN-SINAR TECHNOLOGIES INC.

-----  
(Exact name of registrant as specified in its charter)

Delaware

38-3306461

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

40984 Concept Drive, Plymouth, MI

48170

-----  
(Address of principal executive offices)

-----  
(Zip Code)

(734) 455-5400

-----  
(Registrant's telephone number, including area code)

-----  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports) and (2) has been subject to  
such filing requirements for the past 90 days. Yes  / No

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act of 1934). Yes  / No

14,928,150 shares of the registrant's common stock, par value \$0.01 per  
share, were outstanding as of August 12, 2004.

ROFIN-SINAR TECHNOLOGIES INC.

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PART I. FINANCIAL INFORMATION  
Rofin-Sinar Technologies Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(dollars in thousands)

	June 30, 2004 (Unaudited)	September 30, 2003
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 123,072	\$ 44,487
Accounts receivable, trade, net	65,580	64,548
Inventories (Note 3)	95,670	86,738
Other current assets and prepaid expenses	11,909	8,736
	-----	-----
Total current assets	296,231	204,509
Property and equipment, net	28,709	27,692
Goodwill, net (Note 5)	50,207	48,058
Other intangibles, net (Note 5)	9,463	8,866
Other assets	1,699	2,361
	-----	-----
Total assets	\$ 386,309	\$ 291,486
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit and short term borrowings	\$ 35,138	\$ 35,781
Accounts payable, trade	16,783	12,476
Accounts payable to related party	1,728	2,158
Accrued liabilities (Note 4)	58,434	55,335
	-----	-----
Total current liabilities	112,083	105,750
Long-term debt	21,155	33,052
Pension obligations	8,692	7,830
Minority interests	2,215	1,756
Other long-term liabilities	2,976	2,512
	-----	-----
Total liabilities	147,121	150,900

Stockholders' equity		
Preferred stock, 5,000,000 shares authorized, none issued or outstanding	0	0
Common stock, \$0.01 par value, 50,000,000 shares authorized, 14,921,950 (11,908,600 at September 30, 2003) issued and outstanding	149	119
Additional paid-in-capital	156,884	79,918
Retained earnings	72,902	54,666
Accumulated other comprehensive income	9,253	5,883
	-----	-----
Total stockholders' equity	239,188	140,586
Total liabilities and stockholders' equity	\$ 386,309	\$ 291,486
	=====	=====

See accompanying notes to condensed consolidated financial statements

Rofin-Sinar Technologies Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations (Unaudited)  
Periods Ended June 30, 2004 and 2003  
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 82,067	\$ 64,467	\$ 229,073	\$ 183,684
Cost of goods sold	48,900	40,859	138,886	114,434
Gross profit	33,167	23,608	90,187	69,250
Selling, general, and administrative expenses	14,440	12,618	42,599	36,601
Research and development expenses	5,726	4,725	15,908	13,164
Intangibles amortization	496	468	1,460	1,185
Income from operations	12,505	5,797	30,220	18,300
Other expense (income):				
Interest, net	419	781	1,568	2,526
Foreign currency (gains)/losses	263	96	( 455)	( 1,840)
Other income	( 188)	( 985)	( 451)	( 613)
Income before income taxes and minority interest	12,011	5,905	29,558	18,227
Income tax expense	4,338	1,909	10,493	7,111
Income before minority interest	7,673	3,996	19,065	11,116
Minority interest	288	362	829	667
Net income	\$ 7,385	\$ 3,634	\$ 18,236	\$ 10,449
Net income per common share (Note 8)				
Basic	\$ 0.50	\$ 0.31	\$ 1.40	\$ 0.89
Diluted	\$ 0.48	\$ 0.30	\$ 1.35	\$ 0.88
Weighted average shares used in computing net income per share (Note 8)				
Basic	14,889,277	11,741,900	12,989,727	11,741,900
Diluted	15,417,529	12,083,113	13,547,933	11,852,390
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements

Rofin-Sinar Technologies Inc. and Subsidiaries  
Condensed Consolidated Statements Of Stockholders' Equity and  
Comprehensive Income (Unaudited)  
Nine months ended June 30, 2004 and 2003  
(dollars in thousands)

	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Total Stockholders' Equity
	-----	-----	-----	-----	-----
BALANCES at September 30, 2003	\$ 119	\$ 79,918	\$ 54,666	\$ 5,883	\$ 140,586
Comprehensive income:					
Foreign currency translation adjustment	--	--	--	3,100	3,100
Fair value of interest swap agreement, net of tax	--	--	--	270	270
Net income	--	--	18,236	--	18,236
Total comprehensive income					----- 21,606
Common stock issued	30	76,966	--	--	76,996
BALANCES at June 30, 2004	----- \$ 149	----- \$ 156,884	----- \$ 72,902	----- \$ 9,253	----- \$ 239,188
BALANCES at September 30, 2002	\$ 115	\$ 76,156	\$ 39,361	\$( 7,214)	\$ 108,418
Comprehensive income:					
Foreign currency translation adjustment	--	--	--	10,474	10,474
Fair value of interest swap agreement, net of tax	--	--	--	281	281
Net income	--	--	10,449	--	10,449
Total comprehensive income					----- 21,204
Common stock issued	2	1,756	--	--	1,758
BALANCES at June 30, 2003	----- \$ 117	----- \$ 77,912	----- \$ 49,810	----- \$ 3,541	----- \$ 131,380

See accompanying notes to condensed consolidated financial statements

Rofin-Sinar Technologies Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
Nine Months Ended June 30, 2004 and 2003  
(dollars in thousands)

	Nine months Ended June 30,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 18,236	\$ 10,449
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	( 1,901)	1,667
Other adjustments	6,283	4,881
	22,618	16,997
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of property and equipment	135	43
Additions to property and equipment	( 2,968)	( 2,454)
Acquisition of business, net of cash required	( 741)	--
	( 3,574)	( 2,411)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from banks	156	2,434
Repayment to banks	( 15,630)	( 5,432)
Net (repayments) borrowings on line of credit	( 2,040)	673
Proceeds from issuance of common stock	77,128	1,729
Other adjustments	( 470)	( 140)
	59,144	( 736)
Effect of foreign currency translation on cash and cash equivalents	397	2,017
	78,585	15,867
Cash and cash equivalents at beginning of period	44,487	20,312
Cash and cash equivalents at end of period	\$ 123,072	\$ 36,179

See accompanying notes to condensed consolidated financial statements

Rofin-Sinar Technologies Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
(dollars in thousands, except per share amounts)

1. Summary of Accounting Policies

The accompanying consolidated condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, consistent with those reflected in the Company's annual report to stockholders for the fiscal year ended September 30, 2003, and should be read in conjunction with the Company's annual report on Form 10-K. All adjustments necessary for a fair presentation have been made which comprise only normal recurring adjustments; however, interim results of operations are not necessarily indicative of results to be expected for the year. September 30, 2003 balances are derived from audited financial statements; however, interim period amounts have not been audited.

2. Acquisitions

On February 27, 2004, the Company acquired 90% of the common stock of Optoskand AB, Gothenburg, Sweden, through its wholly owned subsidiary Rofin-Sinar Laser GmbH, Hamburg, Germany ("RSL") for cash.

3. Inventories

Inventories are stated at the lower of cost or market, after provisions for excess and obsolete inventory salable at prices below cost. Costs are determined using the first in, first out and weighted average cost methods and are summarized as follows:

	June 30, 2004	September 30, 2003
	-----	-----
Finished goods	\$ 13,028	\$ 12,809
Work in progress	26,567	25,793
Raw materials and supplies	33,032	24,717
Demonstration inventory	8,532	6,585
Service parts	14,511	16,834
	-----	-----
Total inventories	\$ 95,670	\$ 86,738
	=====	=====

#### 4. Accrued Liabilities

Accrued liabilities are comprised of the following:

	June 30, 2004	September 30, 2003
Employee compensation	\$ 12,664	\$ 11,896
Warranty reserve	12,355	10,528
Customer deposits	10,816	12,875
Income taxes payable	5,169	6,980
Other	17,430	13,056
Total accrued liabilities	\$ 58,434	\$ 55,335

#### 5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the nine month period ended June 30, 2004 are as follows:

	Germany	United States	Rest of World	Total
Balance as of September 30, 2003	\$ 33,566	\$ 2,610	\$ 11,882	\$ 48,058
Additions	--	--	362	362
Currency exchange difference	1,220	105	462	1,787
Balance as of June 30, 2004	\$ 34,786	\$ 2,715	\$ 12,706	\$ 50,207

The carrying value of other intangible assets are as follows:

	June 30, 2004		September 30, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets:				
Patents	\$ 7,056	\$ 1,551	\$ 5,279	\$ 1,192
Customer base	7,232	3,454	6,952	2,370
Other	832	652	622	425
Total	\$ 15,120	\$ 5,657	\$ 12,853	\$ 3,987

## 6. Product Warranties

The Company provides for the estimated costs of product warranties when revenue is recognized. The estimate of costs to fulfill our warranty obligations is based on historical experience and expectation of future conditions. The change in warranty reserves for the nine-month periods ended June 30, 2004 and 2003 are as follows:

Balance at September 30, 2002	\$ 10,036
Additional accruals for warranties during the period	6,922
Usage during the period	( 7,175)
Currency translation	1,220
	-----
Balance at June 30, 2003	\$ 11,003
	=====
Balance at September 30, 2003	\$ 10,528
Additional accruals for warranties during the period	5,526
Usage during the period	( 4,068)
Currency translation	369
	-----
Balance at June 30, 2004	\$ 12,355
	=====

## 7. Stock Based Compensation

Effective January 1, 2003, the Company adopted the disclosure requirements of SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123".

The following table illustrates the pro forma effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each period:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Net income - as reported	\$ 7,385	\$ 3,634	\$ 18,236	\$ 10,449
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	225	169	675	\$ 506
Pro forma net income	\$ 7,160	\$ 3,465	\$ 17,561	\$ 9,943
Earnings per share:				
Basic - as reported	\$ 0.50	\$ 0.31	\$ 1.40	\$ 0.89
Basic - pro forma	\$ 0.48	\$ 0.30	\$ 1.35	\$ 0.85
Fully diluted - as reported	\$ 0.48	\$ 0.30	\$ 1.35	\$ 0.88
Fully diluted - pro forma	\$ 0.46	\$ 0.29	\$ 1.30	\$ 0.84

#### 8. Net Income Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflects the potential dilution from common stock equivalents (stock options).

The calculation of the weighted average number of common shares outstanding for each period is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Weighted average number of shares for BASIC net income per common share	14,889,277	11,741,900	12,989,727	11,741,900
Potential additional shares due to outstanding dilutive stock options	528,252	341,213	558,206	110,490
Weighted average number of shares for DILUTED net income per common share	15,417,529	12,083,113	13,547,933	11,852,390

Excluded from the calculation of diluted EPS for the three months ended June 30, 2004 and 2003, were 285,500 and 187,000 outstanding stock options, respectively. Excluded from the calculation of diluted EPS for the nine months ended June 30, 2004 and 2003, were 285,500 and 207,000 outstanding stock options, respectively. These could potentially dilute future EPS calculations but were not included in the current period because their effect would have been antidilutive.

The increase in the number of shares outstanding for the three months and nine months ended June 30, 2004 reflect the Company's issuance and sale of 2.86 million common shares in its underwritten public offering completed April 2004.

#### 9. Defined Benefit Plans

Components of net periodic cost were as follows for the three months and nine months ended June 30, 2004 and 2003:

	PENSION PLANS			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Service cost	\$ 141	\$ 129	\$ 424	\$ 376
Interest cost	159	142	476	408
Expected return on plan assets	( 49)	( 39)	( 147)	( 117)
Amortization of prior service cost	16	16	47	47
Amortization of net (gain) loss	--	--	--	--
Net periodic benefit cost	\$ 267	\$ 248	\$ 800	\$ 714
	=====	=====	=====	=====
	OTHER POSTRETIREMENT BENEFITS			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Service cost	\$ 30	\$ 21	\$ 112	\$ 62
Interest cost	1	1	3	3
Expected return on plan assets	--	--	--	--
Amortization of prior service cost	--	--	--	--
Amortization of net (gain) loss	--	--	--	--
Net periodic benefit cost	\$ 31	\$ 22	\$ 115	\$ 65
	=====	=====	=====	=====

10. Segment and Geographic Information

The Company manages its business under geographic regions that are aggregated together as one segment in the global industrial laser industry. Sales from these regions have similar long-term financial performance and economic characteristics. The products from these regions utilize similar manufacturing processes and use similar production equipment, which may be interchanged from group to group. The Company distributes, sells and services final product to the same type of customers from all regions.

Assets, revenues and income before taxes, by geographic region are summarized below:

	June 30, 2004		September 30, 2003	
ASSETS	2004		2003	
United States	\$ 138,203		\$ 53,061	
Germany	222,127		223,413	
Other	128,426		113,238	
Intercompany eliminations	( 102,447)		( 98,226)	
Total assets	\$ 386,309		\$ 291,486	

  

REVENUES	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
United States	\$ 18,131	\$ 14,869	\$ 49,853	\$ 41,009
Germany	73,523	54,476	205,461	158,344
Other	29,854	20,959	81,339	55,070
Intercompany eliminations	( 39,441)	( 25,837)	(107,580)	( 70,739)
	\$ 82,067	\$ 64,467	\$ 229,073	\$ 183,684

INTERCOMPANY REVENUES

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
United States	\$ 877	\$ 1,217	\$ 2,734	\$ 2,978
Germany	31,067	19,975	85,665	56,937
Other	7,497	4,645	19,181	10,824
Intercompany eliminations	( 39,441)	( 25,837)	(107,580)	( 70,739)
	\$ --	\$ --	\$ --	\$ --

EXTERNAL REVENUES

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
United States	\$ 17,254	\$ 13,652	\$ 47,119	\$ 38,031
Germany	42,456	34,501	119,796	101,407
Other	22,357	16,314	62,158	44,246
	\$ 82,067	\$ 64,467	\$ 229,073	\$ 183,684

INCOME BEFORE INCOME TAXES AND MINORITY INTEREST

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
United States	\$ 3,299	\$ 1,337	\$ 7,348	\$ 2,499
Germany	7,850	3,987	19,206	12,771
Other	1,962	2,733	5,830	4,803
Intercompany eliminations	( 1,100)	( 2,152)	( 2,826)	( 1,846)
	\$ 12,011	\$ 5,905	\$ 29,558	\$ 18,227

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "may", "believe", "will", "expect", "project", "anticipate", "estimate", "plan" or "continue". These forward looking statements are based on the current plans and expectations of our management and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, as well as future results of operations and financial condition. In making these forward-looking statements, we claim the protection of the safe-harbor for forward-looking statements contained in the Reform Act. We do not assume any obligation to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting such forward-looking statements.

Overview

Rofin-Sinar Technologies Inc. (herein also referred to as "Rofin-Sinar", or the "Company" or "we", "us" or "our") is a leader in the design, development, engineering, manufacture and marketing of laser-based products used for cutting, welding and marking a wide range of materials.

Through our global manufacturing, distribution and service network, we are providing a comprehensive range of laser sources and laser based system solutions to three principal target markets: the machine tool, automotive, and semiconductor/electronics industries. We sell principally to end-users, to original equipment manufacturers ("OEMs") (principally in the machine tool industry) that integrate our laser sources with other system components. Many of our customers are among the largest global participants in their respective industries.

During the third quarter of fiscal years 2004 and 2003, respectively, we realized approximately 51% of revenues from the sale and servicing of laser products for macro applications and approximately 49% from the sale and servicing of laser products for marking and micro applications, respectively.

On March 29, 2004 we issued and sold 2.5 million common shares at a price of \$28.00 per share. The underwriters exercised their over-allotment option April 8, 2004 resulting in 360,000 additional common shares being issued and sold. We realized net proceeds of \$75.3 million as a result of these transactions. We intend to use the aggregate net proceeds from the offering for working capital, other general corporate purposes and for acquisitions of complementary products, technologies or businesses as opportunities arise.

Management believes that the near term growth in our macro business depends, especially in North America and Europe, on the general investment cycle for capital goods. Revenues from a technical license agreement will contribute to sales in the current fiscal year by approximately \$7 million. We recognized \$2.1 million and \$5.0 million of revenue during the three-months and nine-months ended June 30, 2004, respectively. In our marking and micro business management sees positive developments from the semiconductor and electronics market which should lead to increased sales in the coming quarters.

At June 30, 2004, we had 1,251 employees compared to 1,217 employees at June 30, 2003.

#### Results of Operations

For the periods indicated, the following table sets forth the percentage of net sales represented by the respective line items in the Company's consolidated statements of operations.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Net sales	100%	100%	100%	100%
Cost of goods sold	60%	63%	61%	62%
Gross profit	40%	37%	39%	38%
Selling, general and administrative expenses	17%	20%	18%	20%
Research and development expenses	7%	7%	7%	7%
Intangibles amortization	1%	1%	1%	1%
Income from operations	15%	9%	13%	10%
Income before income taxes and minority interest	15%	9%	13%	10%
Net income	9%	6%	8%	6%

Net Sales - Net sales of \$82.1 million and \$229.1 million represent increases of \$17.6 million (27%) and \$45.4 million (25%) for the three months and nine months ended June 30, 2004, as compared to the corresponding periods of fiscal 2003. The increase for the three months ended June 30, 2004, compared to fiscal 2003, resulted from a net sales increase of \$14.0 million (28%), to \$64.8 million in Europe/Asia and an increase of \$3.6 million (26%), to \$17.3 million, in the United States. The increase for the nine months ended June 30, 2004, compared to the same period in fiscal 2003, resulted from a net sales increase of \$36.3 million (25%), to \$182.0 million in Europe/Asia and an increase of \$9.1 million (24%), to \$47.1 million in the United States. Fluctuations in the U.S. dollar against foreign currencies, primarily against the Euro, had a favorable effect on net sales of \$4.7 million and \$20.8 million for the three and nine month periods ended June 30, 2004. Net sales of laser products for macro applications increased by \$9.3 million (28%) to

\$42.2 million and by \$21.6 million (23%) to \$116.6 million for the three and nine month periods ended June 30, 2004 as compared to the corresponding periods of fiscal 2003. These increases represent mainly the additional revenue recognized from a technical license agreement, increased revenue of our component businesses and the higher demand for our lasers from the machine tool industry. Net sales of lasers for marking and micro applications increased to \$39.9 million (26%) for the three months ended June 30, 2004 and increased to \$112.5 million (27%) for the nine months ended June 30, 2004 as compared to the corresponding periods in fiscal 2003. This increase can be attributed primarily to a recovery in demand for our lasers for marking applications from the semiconductor and electronics industries, increased revenues to the automotive industries, and higher volumes of lasers for micro applications such as dental and jewelry. The overall revenue increase was also supported by a strong service and spare parts business.

Gross Profit - Our gross profit of \$33.2 million and \$90.2 million for the three and nine months ended June 30, 2004, represents increases of \$9.6 million (41%) and \$20.9 million (30%) from the corresponding periods of fiscal 2003. As a percentage of sales, gross profit margin increased from 37% to 40% for the three months ended June 30, 2004 and 2003 and increased from 38% to 39% for the nine months ended June 30, 2004 as compared to the corresponding periods in fiscal 2003. The higher percentage margins were primarily a result of a more favorable product mix and revenue from the technical license agreement, as described under net sales. Fluctuations of the U.S. dollar against foreign currencies, primarily against the Euro favorably affected gross profit by \$1.6 million and \$5.8 million for the three and nine month periods ended June 30, 2004.

Selling, General and Administrative Expenses - Selling, general and administrative (SG&A) expenses of \$14.4 million and \$42.6 million for the three and nine months ended June 30, 2004, respectively, represent increases of \$1.8 million (14%) and \$6.0 million (16%) from the corresponding periods of fiscal 2003, and reflects the support of higher sales volumes. SG&A expenses, a significant portion of which are incurred in foreign currencies, was unfavorably affected by \$0.8 million and \$3.8 million for the three month and nine month periods ended June 30, 2004 due to the fluctuations of the U.S. dollar against foreign currencies, primarily against the Euro.

Research and Development Expenses - Net research and development (R&D) expenses were \$5.7 million and \$15.9 million for the three month and nine month periods ended June 30, 2004. This represents an increase of 21% for both the three-month and nine-month periods as compared to the corresponding periods of fiscal 2003. Gross R&D expenses for the three-month periods ended June 30, 2004 and 2003 were \$5.9 million and \$4.8 million, respectively, and were reduced by \$0.2 million and \$0.1 million of government grants in each respective period. Gross R&D expenses for the nine-month periods ended June 30, 2004 and 2003 were \$16.4 million and \$13.9 million, respectively and were reduced by \$0.5 million and \$0.7 million of government grants, respectively. The Company expects to continue receiving governmental grants toward R&D. The increase in gross R&D is primarily a result of ongoing R&D work mainly in the area of diode pumped solid state lasers and CO2 diffusion-cooled technology. We conduct a significant portion of R&D in Europe, and therefore

we incur expenses in foreign currencies, which were unfavorably affected by \$0.4 million and \$1.8 million for the three-month and nine-month periods ended June 30, 2004, due to the fluctuations of the U.S. dollar against these foreign currencies, primarily against the Euro.

Other Expense (Income) - Net other expense of \$0.5 million and \$0.7 million for the three-month and nine-month periods ended June 30, 2004 represent increases of \$0.6 million compared to the corresponding periods of fiscal year 2003. The increase for the three months resulted from currency losses of \$0.2 million, reduced interest expenses of \$0.4 million, and lower other income of \$0.8 million, mainly due to gains from the sale of marketable securities and insurance compensation in fiscal 2003. The increase for the nine months primarily resulted from a decrease of foreign currency gains of \$1.4 million, reduced interest expenses of \$1.0 million, and lower other income of \$0.2 million.

Income Tax Expense - Income tax expense of \$4.3 million and \$10.5 million for the three-months and nine-months ended June 30, 2004 represent effective tax rates of 36% for both of the periods, compared to effective tax rates of 32% and 39% in the corresponding periods of fiscal 2003. The decrease in the nine-month period is primarily due to higher earnings in countries with lower statutory tax rates, lower amounts of nondeductible expenses for tax purposes, higher tax exempt interest income, and the utilization of foreign tax credits for income tax purposes.

Net Income - As a result of the foregoing factors, we realized consolidated net income of \$7.4 million and \$18.2 million for the three-months and nine-months ended June 30, 2004, which represents increases of \$3.8 million and \$7.8 million compared to the corresponding periods in fiscal 2003. For the three-months ended June 30, 2004, basic and diluted earnings per share equaled \$0.50 and \$0.48, respectively, based upon a weighted average of 14.9 million and 15.4 million common shares outstanding, as compared to basic and diluted earnings per share of \$0.31 and \$0.30, respectively, based upon a weighted average of 11.7 million and 12.1 million common shares outstanding for the same period in fiscal 2003.

#### Liquidity and Capital Resources

The Company's primary sources of liquidity at June 30, 2004 were cash and cash equivalents of \$123.1 million, an annually renewable \$25.0 million line of credit with Deutsche Bank AG and several other lines of credit to support foreign subsidiaries in their local currencies in an aggregate amount of \$44.6 million (translated at the applicable exchange rate at June 30, 2004). As of June 30, 2004, \$12.8 million was outstanding under the Deutsche Bank facility and \$19.5 million under other lines of credit. Approximately, \$37.4 million is unused and available under the Company's bank facility and lines of credit at June 30, 2004. There are no financial covenants which could restrict the Company from drawing money under these lines of credit.

Additionally, the Company has outstanding long- and short-term debt under a credit agreement with a German bank, which was used to finance part of the acquisition, and to refinance the existing debt, of Baasel Lasertech. At June 30, 2004, \$24.0 million was outstanding under this credit agreement. Based on maturities, \$5.5 million has been included in the caption "Line of credit and short term borrowings" in the accompanying consolidated balance sheet.

Cash and cash equivalents increased by \$78.6 million during the nine-months ended June 30, 2004. Approximately \$22.6 million in cash and cash equivalents were provided by operating activities, primarily as the result of improved net income. Additionally, cash was provided by a reduction in accounts receivable due to several outstanding customer balances coming due during the period, increased accounts payable trade and accrued liabilities. However, these increases in cash were offset by cash used to reduce our overall income tax liability and to increase our inventory position to be prepared for faster cycle times.

Uses of cash from investing activities totaled \$3.6 million for the nine months ended June 30, 2004 and related primarily to the acquisition of property and equipment during the period.

Net cash provided by financing activities totaled \$59.1 million and was primarily related to current period net repayments of bank debt of \$17.5 million, offset by the issuance of 2.9 million common shares with net cash proceeds of \$75.5 million.

Management believes that the cash flow from operations, along with existing cash and cash equivalents and availability under our credit facilities and lines of credit, will provide adequate resources to meet both our capital requirements and operational needs on both a current and long term basis.

#### Currency Exchange Rate Fluctuations

Although we report our Consolidated Financial Statements in U.S. dollars, approximately 72% of our fiscal 2004 sales have been denominated in other currencies, primarily the Euro, British pound, Swedish krona, Singapore dollar, Taiwanese dollar, Korean won and Japanese yen. Net sales, costs and related assets and liabilities of our operations are generally denominated in the functional currencies of the relevant operating units, thereby serving to reduce the Company's exposure to exchange gains and losses.

Exchange differences upon translation from each operating unit's functional currency to U.S. dollars are accumulated as a separate component of equity. The currency translation adjustment component of stockholders' equity had the effect of increasing total equity by \$9.8 million at June 30, 2004 as compared to \$6.7 million at September 30, 2003.

The fluctuation of the Euro and the other relevant functional currencies against the U.S. dollar has had the effect of increasing or decreasing (as applicable) reported net sales, cost of goods sold, gross margin and selling, general and administrative expenses, denominated in such foreign currencies when translated into U.S. dollars as compared to prior periods.

## Recent Accounting Pronouncements

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosure about Pensions and Other Postretirement Benefits - an amendment of FASB Statements No. 87, 88 and 106". The statement requires employers to provide additional disclosures regarding the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The new disclosure requirements were effective for the Company beginning with the quarter ending June 30, 2004, and are reflected in note 9.

## Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 of our consolidated financial statements in our Annual Report on 10-K for the fiscal year ended September 30, 2003. Certain of the accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty.

### Allowance for Doubtful Accounts

The Company records allowances for uncollectible customer accounts receivable based on historical experience. Additionally, an allowance is made based on an assessment of specific customers' financial condition and liquidity. If the financial condition of the Company's customers were to deteriorate, additional allowances may be required.

### Inventory Valuation

Inventories are stated at the lower of cost or market, after provisions for excess and obsolete inventory salable at prices below cost. Reserves for slow moving and obsolete inventories are provided based on current assessments about historical experience and future product demand and production requirements for the next twelve months. These factors are impacted by market conditions, technology changes, and changes in strategic direction, and require estimates and management judgment that may include elements that are uncertain. We evaluate the adequacy of these reserves quarterly. Although we strive to achieve a balance between market demands and risk of inventory excess or obsolescence, it is possible that, should conditions change, additional reserves may be needed. Any changes in reserves will impact operating income during a given period.

## Warranty Reserves

The Company provides for the estimated costs of product warranties when revenue is recognized. The Company relies upon historical experience, expectation of future conditions, and its service data to estimate its warranty reserve. The Company continuously monitors this data to ensure

that the reserve is sufficient. To the extent we experience increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty liability would be required. While such expenses have historically been within its expectations, the Company cannot guarantee this will continue in the future.

## Pension

The determination of the Company's obligation and expense for pension is

dependent on the selection of certain assumptions used by actuaries in calculating those amounts. Assumptions are made about interest rates, expected investment return on plan assets, total turnover rates, and rates of future compensation increases. In addition, the Company's actuarial consultants use subjective factors such as withdrawal rates and mortality rates to develop our valuations. The Company generally reviews these assumptions at the beginning of each fiscal year. The Company is required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that the Company may use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These

differences may result in a significant impact on the amount of pension benefits expense the Company has recorded or may record.

The discount rate enables the Company to state expected future cash flows at a present value on the measurement date. The Company has little latitude in selecting this rate, and it must represent the market

rate of high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension

expense.

To determine the expected long-term rate of return on plan assets, the Company considers the current and expected assets allocations, as well as historical and expected returns on various categories of plan assets.

## Ownership of Common Stock By Directors

The following table sets forth information as of June 30, 2004, with respect to beneficial ownership of the Company's Common Stock and exercisable options by each director.

Name	Number of Shares of Common Stock Beneficially Owned	Total Number of Stock Options Owned at June 30, 2004	Number of Exercisable Stock Options Owned at June 30, 2004
Peter Wirth	3,300	240,000	126,000
Gunther Braun	--	170,000	72,000
Carl F. Baasel	50,000	60,000	15,000
Walter Volkmar	--	57,000	9,000
Louis Molnar	--	93,000	10,000
William R. Hoover (1)	41,250	--	--
Ralph E. Reins (1)	17,000	--	--
Gary K. Willis (1)	17,000	--	--
Daniel Smoke (1)	3,450	--	--

(1) Outside, non-executive directors

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

For the nine month period ended June 30, 2004, we did not experience any material change in market risk exposures affecting the quantitative and qualitative disclosures as presented in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

The following discussion about the Company's market risk disclosures involves forward looking statements. Actual results could differ materially from those projected in the forward looking statements. The Company is exposed to market risk related to changes in interest rates and foreign currency exchange rates. The Company does not use derivative financial instruments for trading purposes.

#### Interest Rate Sensitivity

As of June 30, 2004, the Company maintained a cash equivalents portfolio of \$95.6 million, consisting mainly of tax exempt interest bearing securities and demand deposits, all with maturities of less than three months. If short-term interest rates were to increase or decrease by 10%, interest income would increase or decrease by approximately \$0.1 million.

At June, 2004, the Company had \$25.1 million of six month adjusted interest rate debt, \$11.8 million of annually adjusted interest rate debt and \$19.4 million of fixed rate debt. A 10% change in the variable interest rates of the Company's debt would result in an increase or decrease in pre-tax interest expense of approximately \$0.1 million.

## Foreign Currency Exchange Risk

The Company enters into foreign currency forward contracts and forward exchange options generally of less than one year duration to hedge a portion of its foreign currency risk on sales transactions. At June 30, 2004, the Company held Japanese yen forward contracts with notional amounts of Euro 0.5 million and Euro forward exchange options with notional amounts of \$1.8 million. A 10% change in currency exchange rates would result in a pre-tax gain or loss of \$0.1 million and \$0.1 million, respectively. Additionally, the Company entered into currency and interest swap agreements of notional amounts Swiss Francs 40.4 million to minimize the interest on long-term loans. As of June 30, 2004, an amount of Swiss Franc 30.1 million (equivalent to \$24.0 million based on the exchange rate at June 30, 2004) was outstanding under this swap agreements. The gains or losses resulting from a 10% change in currency exchange rates would result in an increase of \$1.3 million or a decrease of \$1.7 million of net income after taxes.

## Item 4. Controls and Procedures

As of the end of the 90-day period covered by this report, the Chief Executive Officer and Chief Financial Officer of the Company (collectively, the "certifying officers") have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). These disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in its periodic reports filed with the Securities and Exchange Commission (the "Commission") is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that the information is communicated to the certifying officers on a timely basis.

The certifying officers concluded, based on their evaluation, that the Company's disclosure controls and procedures are effective in ensuring that material information relating to the Company, including its consolidated subsidiaries, is made known to them in a timely fashion, taking into consideration the size and nature of the Company's business and operations.

There have not been changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have been and are likely to be involved from time to time in litigation involving our intellectual property and ordinary routine litigation arising in the ordinary course of business.

We are currently engaged in discussions with the licensor of patents covering the technology used in certain of our CO2 lasers concerning the amount of royalty due in respect to certain past sales and future sales of such laser products. We believe that we will achieve a resolution of this matter that will not have a material adverse impact on our financial condition or results of operations.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

31.1 Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer

31.2 Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer

32.2 Section 1350 Certification of Chief Financial Officer

(b) Reports on Form 8-K:

We furnished a Form 8-K on May 13, 2004, which contained a copy of our press release announcing our second quarter ended March 31, 2004 financial results. We also furnished a Form 8-K on August 11, 2004, which contained a copy of our press release announcing our third quarter ended June 30, 2004 financial results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Rofin-Sinar Technologies Inc.

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(Registrant)

Date: August 13, 2004

/s/ Gunther Braun

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Gunther Braun  
Executive Vice President,  
Finance and Administration, and  
Chief Financial Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Peter Wirth, Chairman of the Board of Directors, Chief Executive Officer and President of Rofin-Sinar Technologies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rofin-Sinar Technologies Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report, based on such evaluation; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 13, 2004

/s/ Peter Wirth

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Peter Wirth

Chairman of the Board, Chief  
Executive Officer and President

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Gunther Braun, Chief Financial Officer of Rofin-Sinar Technologies Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rofin-Sinar Technologies Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report, based on such evaluation; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 13, 2004

/s/ Gunther Braun

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Gunther Braun

Executive Vice President,  
Finance and Administration,  
Chief Financial Officer,  
Principal Accounting Officer  
and Director

SECTION 1350 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Peter Wirth, Chief Executive Officer of Rofin-Sinar Technologies Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2004

/s/ Peter Wirth

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Peter Wirth

Chairman of the Board, Chief  
Executive Officer and President

SECTION 1350 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Gunther Braun, Chief Financial Officer of Rofin-Sinar Technologies Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2004

/s/ Gunther Braun

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Gunther Braun

Executive Vice President,  
Finance and Administration,  
Chief Financial Officer,  
Principal Accounting Officer  
and Director