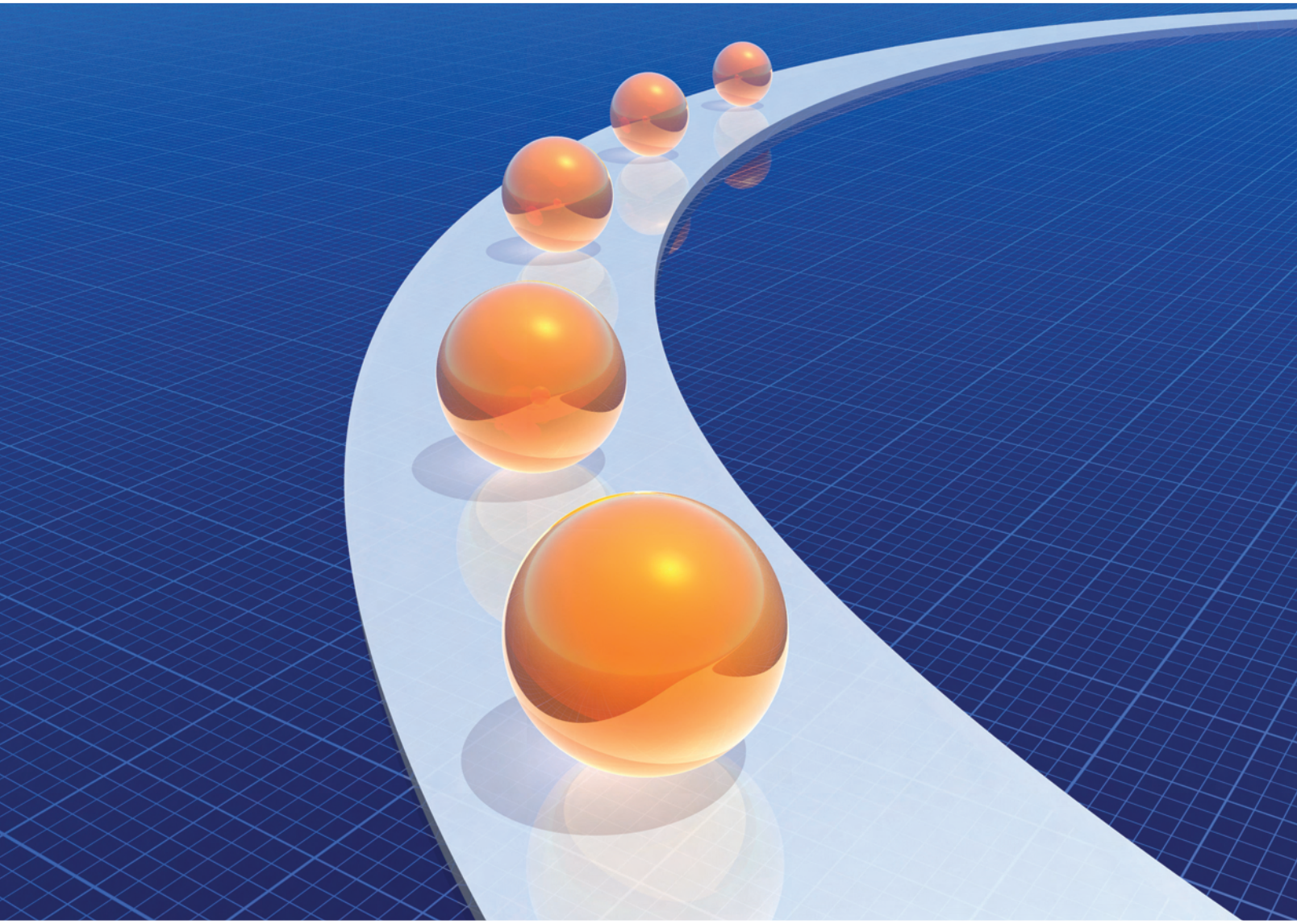
INTEVAC



ANNUAL REPORT 2009

CORPORATE PROFILE

INTEVAC, INC.

We are the world's leading provider of magnetic media equipment to hard disk manufacturers and offer high-productivity technology solutions to the photovoltaic and semiconductor industries. Our Hard Disk 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, Fuji Electric, Western Digital and Showa Denko. We believe the continued growth of storage demand for digital data and increasing technology advancements will provide us with substantial future opportunities to sell magnetic media manufacturing equipment.

Our Emerging Equipment business designs, manufactures, markets and services high-productivity capital equipment to both the photovoltaic and semiconductor industries, building upon our extensive experience in developing production-proven magnetic media systems.

In our Photonics business, we are a leader in the military digital imaging market, providing leading edge, high sensitivity, low light sensors, cameras and systems for applications in night vision and long range target identification. We also provide near-eye displays for use in military applications including simulation and training. Additionally, we provide commercial products that include compact Raman instruments and cameras for applications in the inspection, medical and scientific markets, and for government applications in law enforcement and in the chemical, biological and explosives threat detection markets.

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. The military will transition over the next few years from analog to digital imaging systems. We believe our unique low light sensor technology and digital imaging products will penetrate onto new ground and avionic platforms enabling continued growth of our Photonics business. Our ability to provide enabling, handheld instruments for materials identification in the chemical, biological and explosives threat detection markets will also add to our future growth.

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; profitability; product pricing; customer requirements for new capacity and the timing of technology upgrades for our installed base of magnetic disk manufacturing equipment; demand for hard disk drives and PC's; length of development, marketing and deployment cycles for our new Equipment and Photonics products; our ability to proliferate our Photonics technology onto major military weapons programs and to develop and introduce commercial products; and our growth in government programs. 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.

LETTER TO OUR STOCKHOLDERS

INTEVAC 2009

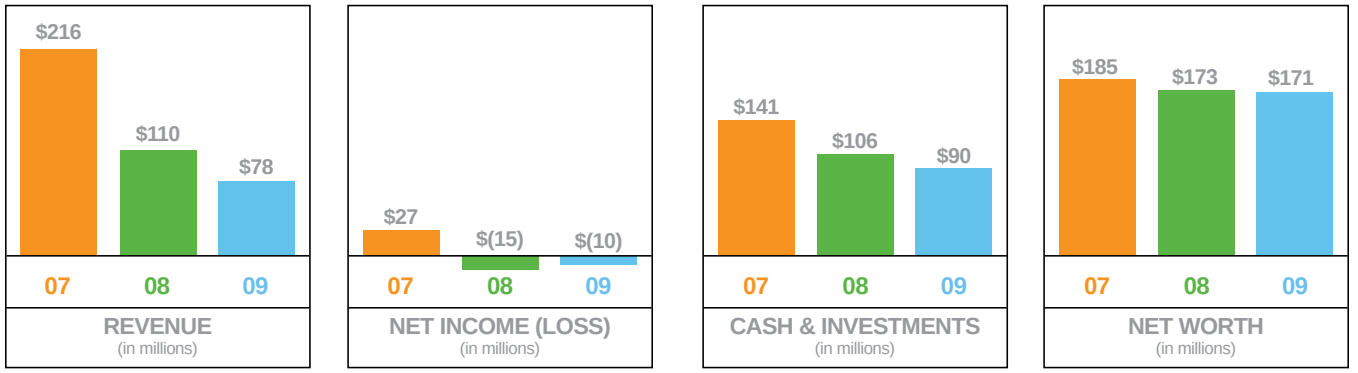
In a difficult year, we were able to minimize our losses while extending our technology leadership in the hard drive media equipment and photonics markets. As we look back upon 2009, we took early and rapid steps to resize our cost structure to minimize our losses and cash burn while developing new growth opportunities by maintaining a steadfast focus on bringing new products to market.

We started the year with the expectation that 2009 would be one of the most challenging environments the hard drive industry had seen in its history. By the third quarter, demand for hard drives began to rapidly recover exceeding all initial estimates for the year and ending the year at volumes exceeding the peak achieved in 2008. We ended 2009 with $74 million in backlog that included ten 200 Lean® systems and over $16 million for our Photonics business. We finished the year with a profitable quarter and a rapidly building backlog, setting us up for a successful 2010.

Our revenue of $78 million was down from the prior year. Our Hard Disk Equipment business revenue was down significantly as our customers invested primarily in technology versus capacity expansion. In contrast, our Photonics business grew 16% year-over-year driven by the adoption of our leading edge technology solutions.

Our net loss for the year was $10.1 million or 46 cents per share. The net loss included $4.3 million of equity-based compensation expense, equivalent to 14 cents per share. We ended the year with cash and investments of $89.8 million, which declined from the prior year as a result of the operating loss and changes in working capital to support our 2010 revenue growth.

FINANCIAL HIGHLIGHTS
2007 • 2008 • 2009



INTEVAC EQUIPMENT

HARD DISK EQUIPMENT

In 2009, we continued to extend the technology leadership of our flagship product, the 200 Lean Gen II, with the development of two new major applications that address the industry's need for high-productivity advanced media solutions. We shipped the industry's first high-productivity systems for patterned media development and an R&D system featuring our latest deposition technology for advanced planar media.

While it is difficult to accurately predict when a new technology will be introduced into volume production, one thing is certain, our customers will continue to increase magnetic media areal density to address the increasing demand for digital storage. The industry is continuing to develop new magnetic film structures for advanced planar media in advance of the migration to patterned media. There are indications that next generation advanced planar media will require additional process steps and more process stations compared to the current generations of planar media. We anticipate that this will result in higher system pricing for new systems and a large upgrade opportunity for our 200 Lean installed base.

The industry continues to develop patterned media using lithography patterning, followed by etching, to define the tracks or the individual storage bits. Over the last two years, we developed high rate etching technology for our 200 Lean that has enabled the first high-productivity manufacturing solution for this new media. This is a significant future business opportunity as two media processing systems will be needed; a deposition system and a new etch system, doubling our served available market.

EMERGING EQUIPMENT

A key element of our company's growth strategy is to expand into new equipment markets. We are pursuing opportunities in the semiconductor and photovoltaic markets. The semiconductor equipment market remained in a depressed state throughout 2009. Limited progress was made placing our Lean Etch™ system with a customer. We continue to address the etch market through our alliance with TES Co. Ltd., who is actively demonstrating the system to Korean customers.

The growing photovoltaic industry shares a common requirement with the hard drive industry; precise multi-film depositions and low cost. Our proven 200 Lean system meets these requirements. In mid 2009, we began offering the Lean Solar™ system based on the 200 Lean platform. We are actively engaged with multiple early stage solar cell manufacturing companies to utilize our system to manufacture their solar cells. We are able to deposit a range of films on silicon, glass and metal substrates in order for our customers to achieve very cost-efficient solar cells.

INTEVAC PHOTONICS

2009 was an exciting year as we made strong progress on multiple fronts. Revenue and bookings achieved record levels driven primarily by product sales growth. We increased our core technology capabilities, expanded our product portfolio, penetrated new major military program opportunities, and won more OEM accounts in the commercial markets. Operationally, we made progress as we began the production ramp of two significant military programs.

INTEVAC VISION SYSTEMS

In our military business, we continued to make substantial progress with new contract awards that demonstrated the penetration of our digital night-vision cameras and LIVAR® near-infrared cameras onto major platforms.

We began initial production deliveries of our digital night vision camera module to our major NATO customer in the fourth quarter. This production program, measured in thousands of units over the next five years, will help prepare us for the much bigger U.S. military production programs we anticipate occurring a few years from now. The first major U.S. Army head-mounted digital night vision system, known as ENVG-D, is currently being developed by three competing teams; two of these teams are using our night vision sensor. We continue to be teamed with DRS Technologies to provide one of the competing ENVG-D systems. We have strongly contributed to this teaming effort through both our sensor expertise, as well as our expertise in systems-level products, such as Night Port™. We are confident that our capabilities in both these areas will prove to be highly beneficial in developing a successful ENVG-D system.

In 2008, we developed the Night Port product, a compact, monocular system that provides full digital state-of-the-art night vision viewing and recording capabilities. Night Port was the first commercially available all digital night vision system and is a direct replacement for legacy analog night vision goggles. We received a high level of interest in Night Port from various branches of the U.S. military and this has led to multiple program awards for the development of Night Port derivative products in 2009.

2009 was a milestone year for our LIVAR camera business. We completed the camera development for a significant airborne application, began production deliveries and received follow-on production orders. We also received an initial order for LIVAR cameras for a second airborne application which we expect to lead to future production orders. These applications represent multi-year deployment opportunities.

DeltaNu

DeltaNu® provides optical, non-destructive, real time materials identification systems based upon Raman spectrometry. Our competitive advantage is that our handheld units are smaller and less expensive than competing designs without compromising performance. As a result, we continued to see growth in our order pipeline driven by product sales to value-added resellers and OEMs. In 2009, we won two significant contract awards for the development of advanced handheld systems that incorporate our unique near-infrared sensors to enable the identification of critical materials within the growing chemical, biological and explosives threat detection markets.

LOOKING FORWARD

INTEVAC 2010

We are excited about the significant growth opportunities across our three businesses. Our Hard Disk Equipment business is expected to recover rapidly this year driven by capacity orders with ongoing growth resulting from a combination of capacity buys and technology upgrades. Our Emerging Equipment business is addressing large market opportunities with very competitive products. Our Photonics business has been growing steadily since we began our ramp in product sales in 2006 and is expected to grow over 25% in 2010.

Growth in our Hard Disk Equipment business is driven by two factors; capacity additions to support the growth in hard drive shipments and new technology capabilities needed to support areal density improvements. In 2009, the market for hard drives was surprisingly robust given the difficult global economy. Strong growth is expected in 2010 as the world economies recover and our customers resume buying capacity systems. In the consumer sector, continued strong demand is being driven by attractively-priced computers and increasing demand from the emerging economies.

The penetration of computers in the developing economies is a fraction of the developed world and should result in increased demand for hard drives in the foreseeable future. The continued penetration of back-up hard drives, including developed economies, will also provide further growth opportunities as this penetration rate is still limited. The surge in sales of mobile computers, which will have a shorter life-cycle than desktops, will lead to a significant future replacement market further benefiting future hard drive sales. In the corporate sector, demand is expected to grow as enterprise storage spending recovers and corporations begin to refresh their PC's. Hard drive shipment growth will require more media manufacturing capacity in 2010 and beyond. Despite the many positive indicators for hard drive sales, we believe our customers will remain cautious with capacity additions to prevent an over supply situation.

In 2009, we shipped new enabling technology solutions for future generations of magnetic media. We expect incremental business opportunities as these new media technologies are placed into production starting in late 2011 with advanced planar media followed eventually by patterned media in order for our customers to continue to increase areal density at a rate of 40% per year.

In 2010, we expect our Emerging Equipment business to ship new products into the photovoltaic and semiconductor markets. This will be a qualification year which we anticipate will lead to production orders in 2011 and beyond, helping to further grow our equipment business.

The outlook for our Photonics business is positive across all product lines. Our unique digital low light sensor technology addresses the military's needs as they make the transition over the next few years to digital night vision systems which enable lighter, smaller solutions with superior vision capabilities for both ground and avionic applications. In addition to our success in ground applications, several avionic platforms are utilizing our low light cameras to enhance situational awareness. Our DeltaNu Raman based materials identification systems are being deployed to identify potential threats such as explosives and chemical/biological agents. In 2010, production ramps across our product lines will continue with new programs coming online. Our government funded program revenues will also increase, driven by contracts to both improve our core technology and create new products incorporating our technology.

In 2009, our team demonstrated a diligent focus on operational cost control while continuing to create and bring to market new products for additional growth. In 2010, we are forecasting our business to return to profitability with a goal of qualifying our new leading edge products that will drive future growth. I wish to express my sincere gratitude 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 CEO

INTEVAC, INC.

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

	3/28/09	6/27/09	9/26/09	12/31/09
High	$5.73	$8.65	$13.14	$13.45
Low	$3.43	$5.02	$ 7.45	$10.00

DIVIDENDS
The Company has not paid or declared any cash dividends.

2010 ANNUAL STOCKHOLDERS' MEETING
Intevac's Annual Stockholders' Meeting will be held on Thursday, May 20, 2010 at 4:30 p.m. (PDT) at Intevac Corporate Headquarters: 3560 Bassett Street, Santa Clara, CA 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

JAMES P. BIRT (2004)
Vice President, Manufacturing and 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

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

MICHAEL A. KAYAT (2009)
Vice President and General Manager
DeltaNu

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

LUKE A. MARUSIAK (2010)
Executive Vice President
and General Manager
Emerging 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
and General Manager
Hard Disk Equipment Products

BOARD OF DIRECTORS

DAVID S. DURY (2002) [1, 2, 4]
Co-Founder, Mentor Capital Group LLC

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

STANLEY J. HILL (2004) [1,2]
Former Chairman and Chief Executive Officer
Kaiser Aerospace & Electronics Corporation

ROBERT A. LEMOS (2002)[1,3]
Former Chief Financial Officer
Varian Associates

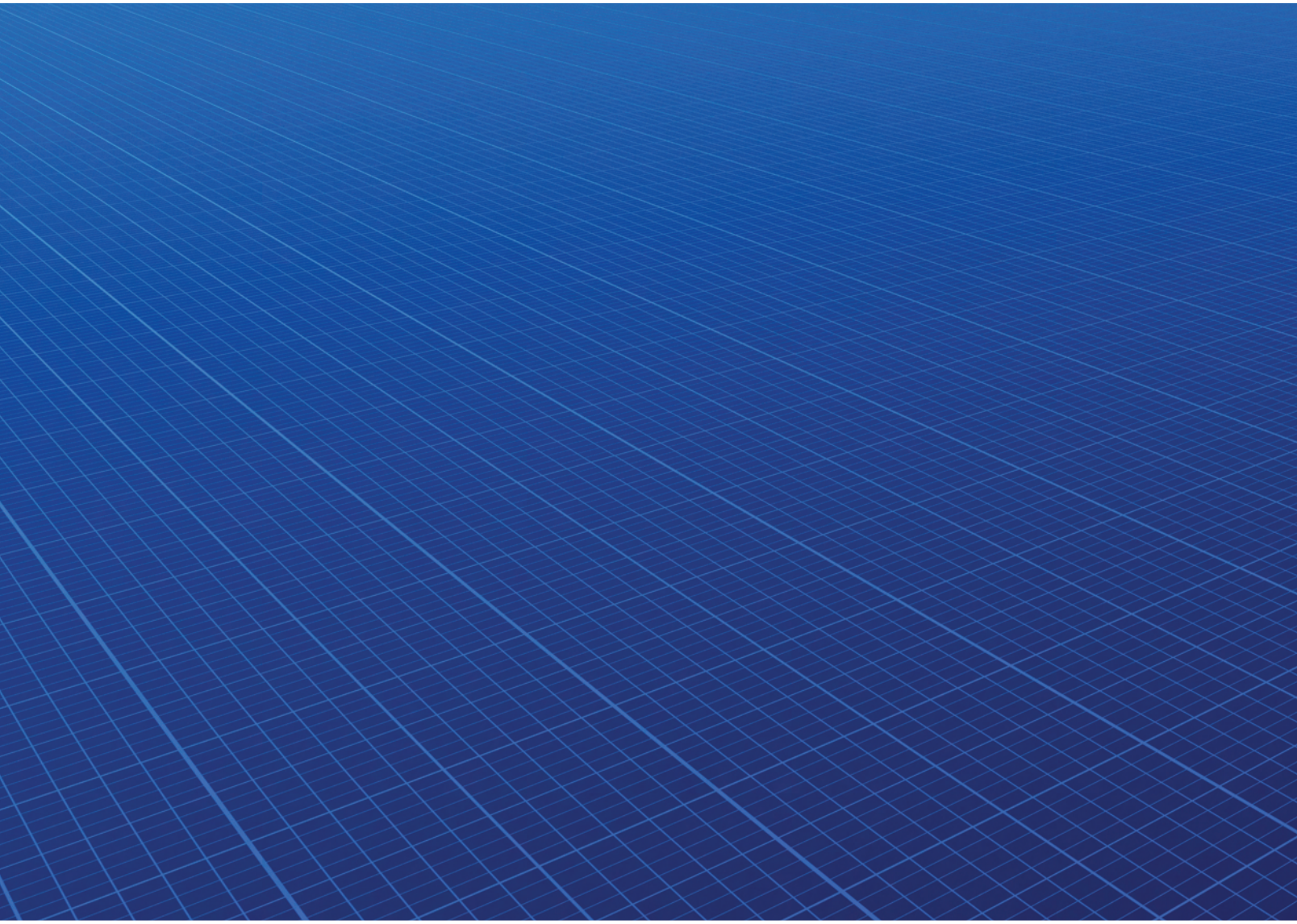
NORMAN H. POND (1990)
Chairman of the Board

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

INTEVAC PHOTONICS, INC.
3560 Bassett St.
Santa Clara, CA • 95054
P: 408.986.9888
F: 408.654.9869
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 VISION SYSTEMS
Intevac Photonics, Inc.
5909 Sea Lion Place
Suite A/B
Carlsbad, CA • 92010
P: 760.476.0339
F: 760.476.0620

INTEVAC ASIA PTE. LTD.
6, Marsiling Lane
Block C # 01-00
Singapore • 739145
P: 65.6368.6863
F: 65.6368.5601

INTEVAC MALAYSIA SDN. BHD.
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

INTEVAC SHENZHEN CO. LTD.
P.O. Box 37
Shen Fu Bao Bldg.
Suite 1708-1710
128 Rong Hua Road
Futian Free Trade Zone
Shenzhen, Guangdong
P.R. China • 518038
P: 86.755.8348.4020
F: 86.755.8348.4035