

FINAL TRANSCRIPT

Thomson StreetEventsSM

ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

Event Date/Time: May. 08. 2008 / 5:00PM ET

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Nicholas Konidaris

Electro Scientific Industries, Inc. - CEO, President

Chris Butterfield

Electro Scientific Industries, Inc. - Director of Investor Relations

Paul Oldham

Electro Scientific Industries, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Matt Petkun

D.A. Davidson & Co. - Analyst

Andy Aranda

Needham & Co. - Analyst

PRESENTATION

Operator

Good afternoon. My name is Abigail, and I will be your conference operator today. At this time, I would like to welcome everyone to the Electro Scientific Industries fiscal 2008 Q4 earnings release. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. (OPERATOR INSTRUCTIONS) Mr. Konidaris, you may begin your conference.

Chris Butterfield - *Electro Scientific Industries, Inc. - Director of Investor Relations*

Thank you, Abigail, and good afternoon, everyone. My name is Chris Butterfield, Director of Investor Relations for ESI. With me are Nick Konidaris, our CEO and Paul Oldham, Chief Financial Officer. This conference call will cover our fiscal 2008 fourth quarter and annual results.

Before we go into the details of the call, I would like to give you the required Safe Harbor language. Some of what we will say will include forward-looking statements concerning customer orders, shipments, revenue, gross margins, expenses, non-operating income and taxes. These statements are subject to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These statements include a number of risks and uncertainties that are discussed in more detail in today's press release and our filings with the SEC. Actual results may differ materially from those forward-looking statements. This call also contains time-sensitive information we believe to be accurate today, May 8, 2008, and which could change in the future. This call is the property of ESI. Now I'll turn the call over to ESI CEO, Nick Konidaris.

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

Thank you, Chris. Good afternoon, everyone.

While the fourth quarter of fiscal 2008 was characterized by lower capital spending due to weakness in the memory market, we enjoyed the fourth consecutive quarter of revenue over \$70 million and delivered solid financial results. At \$71 million, revenue was down 9% from the prior quarter, primarily due to the impact of lower shipments. Earnings per share were \$0.11 on a GAAP basis. However, orders for Q4 were \$51 million, down 31% from the third quarter, leading to a 29% sequential decrease in shipments to \$58 million. As a result, we began to take actions to lower our core structure, consistent with the current environment. For fiscal '08, which represents a 10-month period, orders were \$224 million, down 18% from fiscal '07 12-month results. 2008

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

shipments of \$245 million and revenue of \$247 million were down only slightly from fiscal 2007, despite the shortened period. On the pro forma 10-month comparative basis, we estimate that orders were down 7%, shipments grew 19%, and revenue increased 25%. 2008 was a strong period for the company, both financially and in terms of execution of our growth strategy. In the semiconductor segment, we successfully introduced our dual beam memory repair system and shipped out 500 units.

For the passive component segment, demand for our latest high capacity tester, the 3550 played a significant role in generating the strongest shipment and revenue levels since fiscal '01. For interconnect and micro machining, demand for new applications generated the highest order levels on record. In addition, we completed the acquisition of New Wave Research in our fiscal second quarter, which provided entry into attractive new markets. Although 2008 was a strong period for the company, in the fourth quarter, we began to see the impact of weakness in the memory market and an overall slowdown in capital spending. Despite weak overall demand, we continued to see the adoption of new products and applications among our customers. In semiconductor, new orders for dual beam systems continued, as our customers sought to lower production costs and increase manufacturing efficiencies in both DRAM and NAND flash production.

In the passive component segment, multiple customers accepted our latest high capacity test system into production, which resulted in significant growth in revenue, compared to the third quarter. Orders in the micro machining segment were up significantly in Q4, representing an expansion of our presence in precision micro engineering applications. These results demonstrate that our product portfolio is well positioned to meet the evolving needs of our customers. Looking forward, the timing of the recovery in our markets remains uncertain. During normal cyclical downturns, we focused on the development of new products and applications that position the company to lever its growth opportunities where market conditions improve. In addition, we seek to more aggressively streamline our operational model and improve efficiencies throughout the organization. In Q4, we began taking actions to lower cost structure, including reducing head count and consolidating facilities in order to size the company appropriately to near-term business demand. In addition, we are aggressively pursuing our offshore manufacturing initiative to increase unit production in Asia. We expect this combination of investing for future growth and driving operational efficiencies will allow us to remain profitable during the current cycle and position us to resume a strong rate of growth when the market improves.

Finally, I would like to mention that Tom Wu has decided to leave ESI. I would like to thank Tom for his contributions to ESI and wish him well in his future endeavors. I'm pleased to announce Sidney Wong's appointment as the head of our customer operations group. Sidney has been with ESI for 10 years and has an extensive sales and marketing background. Sidney's familiarity with our customers and markets will continue to strengthen our sales efforts in Asia and around the world. I'm excited with Sidney's appointment and very satisfied that ESI has been able to fill this important role with internal talent. This concludes my opening remarks. I will now discuss an overview of our fourth quarter business by segment.

For our semiconductor segment, orders were down significantly, both sequentially and year-over-year, driven largely by significant reduction in capital spending for DRAM and flash memory. With demand for memory expected to increase in the second half of calendar '08, we are optimistic regarding the resumption of capacity expansion late in our fiscal year. In the near term, demand is expected to be driven by investments in new technologies to increase production efficiencies and lower costs. Orders for LED scribing systems and LCD repair components from our New Wave Research division were up compared to the prior quarter. Included in Q4 orders for LED scribing was a multi-system order for our AccuScribe 2112 system to 8 SA representing a key competitive win in the Chinese LED market.

For LCD repair, orders for laser components used in current generation 5 and 6 fabs remain strong. In addition, we received multiple orders for our new Polaris 300 laser, which is aimed at meeting the needs of the next cycle of fab expansion for generations 7 and 8. We're pleased with the progress that has been made in achieving key competitive and technology wins among our customers in these markets.

Looking ahead, the memory market will continue to be characterized by excess supply and ongoing price pressures. Capital spending among DRAM memory producers is forecasted to decline approximately 30% in calendar year '08. Seasonal demand for memory later in calendar '08 is expected to improve unit prices. In the near term, new investments in these markets are

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

expected to focus on transitioning to smaller technology nodes to lower costs. The productivity gains that are achieved with our dual beam IR and UB systems will continue to drive demand for these products.

Turning to our passive component group, orders were down both sequentially and year-over-year, driven by the combination of lower demand following the holiday season (inaudible) capacity for more displays earlier in the year and cautious capital spending. Although orders were down, revenue for the segment was up sequentially due to the widespread acceptance of our latest high capacity tester, the 3550 into production across multiple customers. Following these acceptances. Following these acceptances, the 3550 is now qualified for production across all of our major customers in Japan, Korea and Taiwan. The outlook for the MLCC market is heavily tied to demand for products such as HDTVs, handheld devices and computers. The significant expansion and capacity during calendar '07 is expected to result in a slowdown in capital spending for the remainder of calendar '08. Although overall demand for equipment is expected to be down in the near term, the broader trend is for continued investment in higher capacity chips and smaller package sizes. The success of our 5550 product, which is targeted specifically at these growth areas is a strong indicator that we will continue to see demand for this product in the current environment. Once healthy capacity expansion resumes, we will be in a strong position to return to growth in this segment.

For the interconnect and micro machining group, orders approximately doubled both sequentially and year-over-year, and presented the second highest level of quarterly demand on record. We continue to view activity in this segment as very lumpy, driven by capacity expansion for customer-specific applications. As a result, significant swings in demand on a quarterly basis are not unusual for this market. Demand this quarter was primarily driven by continued expansion of our micro machining capability into a broader set of materials and customer-specific manufacturing applications. Going forward, we'll continue to develop new applications to micro engineer a variety of materials that expand our addressable markets. We'll expect our efforts in the segment to translate into an expanding source of revenue in the future.

Turning to the overall outlook for ESI, in the first quarter for fiscal 2009, we expect demand for our products to continue to be effected by weakness in the memory market and the impact of cautious capital spending given uncertainties in the global economy. As a result, we expect Q1 shipments in revenue to be in the \$55 million to \$65 million range, with non-GAAP EPS between \$0.05 to \$0.10 cents per share, which excludes the impact of restructuring, purchase accounting, and equity compensation. Although we are experiencing short-term challenges in our markets, we will continue to develop new products applications that can be leveraged into strong earnings growth in the future. In the near term, we're taking actions to monitor our cost structure and increase efficiencies throughout the company. We believe our ongoing commitment to growth and profitability will place ESI in a stronger position once the overall market conditions improve. Now I will turn the call over to Paul for a detailed discussion of our results for the fourth quarter and our 2008 fiscal period.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Thank you, Nick. Good afternoon, everyone.

Due to the change in our fiscal year, the following information includes results from our fourth quarter of fiscal 2008, which ended on March 29. For comparative year-on-year results, we made comparisons against the third quarter of fiscal 2007, which ended on March 3, 2007. Also, the results for fiscal 2008 represent the 10-month period from June 2007 through March 2008. In addition to improved comparability, beginning this quarter we will also provide earnings per share and related income statement results on a non-GAAP basis excluding restructuring expenses and the largely non-cash effect of purchase accounting and equity compensation. Orders for the fourth quarter were \$51 million, down \$23 million from the prior quarter and down \$22 million year-over-year.

As Nick mentioned orders for semiconductor products and passive component systems were down significantly, partially offset by strong demand for micro machining applications. On a geographic basis, approximately 60% of orders were from Asia, down 7 points from Q3 and consistent with the decrease in semiconductor activity. Compared to the prior year, overall orders were down 30%, driven primarily by weak demand for semiconductor products this quarter compared to peak order levels a year

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

ago. Shipments in Q4 were \$58 million, down sequentially from \$82 million in the prior quarter. The decline was due entirely to lower shipments in the semiconductor segment, driven by weakness in the memory market. Shipments in the passive component and micro machining segments were largely flat to the third quarter. Compared to the prior year, fourth quarter shipments were down just 2%, with a significant decline in semiconductor products offset by strong growth in the component and micro machining segments.

Q4 ending backlog was \$42 million, down \$7 million from the third quarter. Backlog declined in passive component systems due to the lower seasonal demand and cautious spending. Backlog increased slightly in both our semiconductor and micro machining segments, as shipments roughly mirrored incoming demand. Revenue for the fourth quarter was \$70.6 million, down 9%, with lower shipment levels partially offset by stronger revenues from customer acceptance of new products and systems into production. As a result, deferred revenue declined \$12 million from Q3 to approximately \$13 million. This brings deferred revenue back into alignment with historical levels after several new product introductions earlier this year. Semiconductor revenue was down 40% sequentially due to lower demand in shipments. Passive component revenue was up 50%, driven by recognition of revenue on new products, and interconnect and micro machining revenue was approximately flat. In terms of product mix, the semiconductor segment represented only 34% of revenue. Interconnect and micro machining was 26%, and passive component revenue was 40% for the quarter.

Compared to Q3 in the prior year, revenue was up 19%, as weakness in the semiconductor segment was offset by higher revenue in both the component and micro machining markets. These results reflect the benefit of our investment in a broader portfolio of products, as strengthened micro machining and passive components helped balance the cyclical decline in our semiconductor segment. On a geographic basis, 71% of fourth quarter revenue was from Asia. Gross margin for the fourth quarter was 44.7%, including approximately \$300,000 in purchase accounting and \$200,000 in equity compensation, reflected in cost of goods sold. Excluding the impact of purchase accounting and equity compensation, gross margin for the fourth quarter was 45.5%, down sequentially from 47.1% in the prior quarter. The margins were impacted by lower margin systems and upgrades expected in the quarter and an unfavorable shift in product mix. Compared to Q3 of 2007, fourth quarter margins were up approximately 3 percentage points, as a result of improved margins on newer products and higher sales volume.

Operating expenses were \$28.7 million in the fourth quarter, including \$500,000 in purchase accounting expenses, and \$1.1 million in equity compensation. In addition, during the quarter, we incurred approximately \$1 million in costs associated with actions taken during the quarter to reduce head count and consolidate facilities. Excluding the impact of these items, operating expenses were \$26.1 million, roughly flat with non-GAAP expenses of \$26 million in Q3. Compared to the third quarter of fiscal 2007, Q4 expenses on a non-GAAP basis were up \$5.7 million, largely due to the addition of the NWR acquisition. Looking forward, we expect additional costs of approximately \$1 million in the first quarter related to further actions to reduce our cost structure. Operating income for the quarter was \$2.8 million, or 4% compared to \$8.2 million, or 11% in Q3 of 2008. Excluding the impact of purchase accounting, stock compensation and restructuring expenses, non-GAAP operating income was \$6 million, or 8.5%, down from \$10.4 million, or 13.4% in the prior quarter, primarily due to the decline in overall revenue and related gross margin.

Compared to Q3 2007, non-GAAP operating income was up 29% from \$4.6 million, or 7.8% of sales. Fourth quarter interest and other income of \$1.8 million was down slightly from the prior quarter due to lower interest income driven by lower cash balances and interest rates, largely offset by foreign currency gains. Looking forward, we expect to see interest and other income of approximately \$1.3 million based on projected average cash levels and yields. Fourth quarter net income was \$3 million, or \$0.11 per diluted share. Excluding purchase accounting, equity compensation and restructuring expenses, non-GAAP net income was \$5 million, or \$0.18 per share, down from \$8.1 million, or \$0.29 per share in the prior quarter, and \$6.1 million, or 10.2% in the prior year. The decline in net income year-over-year was primarily due to lower interest income due to higher cash balances and yields, and a lower one-time tax benefit in the prior year. Turning to fiscal 2008, revenue for the 10-month period was \$247 million, down only slightly from the prior 12-month year.

For 2008, we saw a good growth on a pro forma comparative basis and broader diversification across our markets, with approximately 44% of revenues from semiconductor, 25% from interconnect and micro machining, and 31% from passive

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

components. Approximately 74% of revenue for the year came from Asia. Operating income for the year was \$20 million, or 8.1% of revenue, including the impact of \$6.1 million in purchase accounting expenses, \$3.7 million in stock compensation, and \$1 million of restructuring expenses. On a non-GAAP basis, operating income was \$30.9 million, or 12.5% of revenue for the 10-month period compared to \$27.1 million, or 10.8% in the prior year. Net income for the 2008 fiscal period was \$16.6 million, or \$0.59 per diluted share compared to \$23.5 million, or \$0.80 per diluted share in the prior year. On a non-GAAP basis, fiscal 2008 net income was \$23.5 million, or \$0.84 per share diluted on a 10-month basis, compared to \$25.5 million, or \$0.87 per share for a full fiscal 2007.

Now turning to our balance sheet, cash and investments were \$161 million, down \$21 million from the third quarter. During the quarter, we completed our \$50 million share repurchase program, utilizing \$12.7 million to repurchase approximately 778,000 shares of stock at an average price of \$16.36. Operating cash flow was down \$2 million for the fourth quarter, with inventory increasing \$13 million to \$102 million, partially offset by operating income and other working capital items. Inventories increased in the quarter primarily due to lower than expected demand and a pushout of some customer deliveries to future quarters. Inventory turns for the quarter were 1.6 compared to 1.8 in the prior quarter. Although we are comfortable with the overall quality of our inventory, we are disappointed with our results and are taking several actions to reduce inventory as we go forward.

Accounts receivable were \$60 million at the end of the fourth quarter with an associated DSO of 78 days. Compared to third quarter results, accounts receivable were flat and the increase in DSO was due to the timing of shipments late in the quarter. Finally during the quarter, we recorded a reserve of 20%, or approximately \$4 million against our investment in auction rate securities. We recorded this reserve as a temporary impairment through equity consistent with recent industry practice due to the ongoing ill liquidity of the securities. We continue to receive monthly payment against these securities and believe that the principle will ultimately be realized. As we look forward to Q1, we expect our shipments and revenue to be approximately \$55 million to \$65 million in the first quarter of fiscal 2009.

Gross margin, excluding the impact of purchase accounting and stock compensation, is expected to be in the range of 43% to 44%, down sequentially due to lower revenue and production volume. Operating expenses are expected to be down approximately \$2 million, excluding the estimated impacts of purchase accounting and equity compensation of \$2.2 million, and additional restructuring expenses of approximately \$1 million. As a result, non-GAAP earnings per share are expected to be between \$0.05 and \$0.10 per share. Now I would like to turn the call back to Nick for a brief summary.

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

To summarize, although 2008 was a strong year for ESI, in the fourth quarter we began to see the effects of the slowdown in capital spending on our memory business. In addition, broader concerns around the global economic slowdown, coupled with normal seasonality, negatively impacted demand in our passive component markets. Although demand was high for micro machining products, in the near term, demand for this business will remain lumpy. Despite a lower overall order levels in Q4, we have continued to see demand for our new products, as customers seek to improve production efficiencies and lower costs. This typical pattern for our industry reinforces our strategy to focus on the development of new products and applications to meet the needs of our customers and positioning aside to leverage our future growth. At the same time, we will work to ensure that our operational model remains as efficient as possible. We believe our ongoing commitment to growth and profitability will place ESI in a stronger position once the overall market conditions improve.

Finally, we'll be holding an investor day in New York on Tuesday, May 22 -- sorry, on Thursday, May 22 at the Westin Times square. You are cordially invited to attend. If interested in attending, please contact [Barbara Rlssoti] at 503-672-5824 to register. This concludes our prepared remarks. We're ready for your questions. Abigail?

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Your first question comes from Matt Petkun with DA Davidson and Company. Your line is open.

Matt Petkun - *D.A. Davidson & Co. - Analyst*

Hi, good afternoon. Paul, did you give the backlog number at the end of the quarter? I missed that.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Yes, we did. It was \$42 million.

Matt Petkun - *D.A. Davidson & Co. - Analyst*

Okay, thanks. Then, both you and Nick mentioned that the orders in both the passive group and the semiconductor group were down significantly. Is there any way you can be a little bit more specific in terms of the sequential decline in those groups? I know that the semi business last quarter was up about 50%, so are we looking for another 50% decline this quarter, greater, roughly what are we talking about?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Yes, the decline in both of those groups was roughly 50%, sequentially.

Matt Petkun - *D.A. Davidson & Co. - Analyst*

Okay, and then the last thing I just wanted to ask you about, Paul, was sort of the target model. The last target model I saw for ESI at the trough was, and who knows if the trough goes lower or higher, was a \$55 million run rate and gross margins of 42% on a pro forma basis, you're doing better than that, it looks like implied by your guidance. And then on an operating expense basis, you're right near that as well and implied in your guidance for next quarter. Do the cost cuts that you make enable you to outperform the kind of 42 and 42 numbers that you had given in your previous presentations?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Yes, obviously as revenues decline, we have to make sure the cost structure is supportive of those levels. And the cost -- the actions that we've taken, we believe, will allow our reduction in our cost structure of approximately \$2 million to \$2.5 million a quarter, or roughly \$8 million to \$10 million for the year, with most of that coming out of OpEx. So, our plan is with those costs that we ought to be able to perform at or slightly better for our operating model for the year. Now, each quarter may vary slightly just due to seasonality, but that would be our plan, is to be able to operate on that model for the given level of revenue that we would project next year.

Matt Petkun - *D.A. Davidson & Co. - Analyst*

Okay, and then just looking back in this last cycle that we enjoyed, the peak gross margin for ESI was around 46%, just over 46%. Can that get better?

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Well, obviously our model says that we would like to see 50% margins at a peak revenue. Now, we didn't get to peak revenues in this cycle, but we are taking a number of actions to improve gross margins, including continuing to optimize our offshore manufacturing, bringing out new products, which have good margins in them and good value in them, and a number of other cost reductions, both infrastructure related as well as within the products themselves. So, our goal would be to certainly get to those 50% margins, at peak revenue levels of 50% -- or I'm sorry, of \$350 million. Now, recall that those margins do vary based on volume and so we wouldn't see -- expect to see 50% margins until we're close to that \$350 million peak revenue level. But they should roughly scale from where we are today as we grow revenues moving up.

Matt Petkun - *D.A. Davidson & Co. - Analyst*

Okay, thank you.

Operator

Your next question comes from [Andy Aranda] with Needham & Company.

Andy Aranda - *Needham & Co. - Analyst*

Hi, good afternoon.

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

Hi, Andy.

Andy Aranda - *Needham & Co. - Analyst*

How would you characterize the pipeline of business opportunities in the New Wave Research business in both the LED production and the LCD repair?

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

The LED production is a business segment that continues to grow. So that pipeline is healthy and we expect growth this year on a comparative period as opposed to the previous year. The same thing applies to LCD. By the way, the application in these LED wafer scribe and the application in LCD is basically selling what we call the laser engine to people who develop the repair systems for the LCD parts.

Andy Aranda - *Needham & Co. - Analyst*

Okay. Have you seen any pull back in investment spending plans on the part of ceramic capacitor manufacturers?

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

We have seen a weakness in Q1, which is a result of basically three factors, that one factor is that it's a traditional lower demand pattern following the holiday season. The other is that there is an element of absorption of recently added capacity. Don't forget these 3500 systems are several times more productive than their predecessor system and we also see a little bit of a cautious

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

capital spending, and we have been aware of articles in Japan that say the Japanese are going to be investing 20% less in terms of capital equipment.

However, keep in mind that the driver for demand for these devices is primarily consumer products like high definition TVs, handheld devices and computers. All of these products not only grow in volume, but each one of them has -- requires more total capacity and therefore they require more capacity chip and because the products themselves get smaller, they want smaller package kind of sizes in terms of chips. So the demand in units is going to grow. The investment profile is going, to be for a while, cautious and we'll have an outstanding product in the 35XX, and we are cautiously optimistic that we'll continue to see strong demand for that product in that kind of environment.

Andy Aranda - *Needham & Co. - Analyst*

Thank you. Last question, is there any chance you can give us some color on the makeup of your backlog?

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

Yes.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO*

Yes, if you look at the ending backlog, about two-thirds of it was semiconductor related, call it 20% interconnect in micro machining and the balance in passive components. We shipped a lot of our passive component backlog obviously here in the last two quarters.

Andy Aranda - *Needham & Co. - Analyst*

Great, thank you very much.

Operator

(OPERATOR INSTRUCTIONS) We have another question from Matt Petkun with DA Davidson and company. Your line is open. He withdrew his question. There are no further questions in queue at this time.

Nicholas Konidaris - *Electro Scientific Industries, Inc. - CEO, President*

Okay. In that case, I would like to close my saying that to reiterate, we'll face near-term challenges as capital spending in our markets decline. Over the long-term, our investments in the development of new products and applications are expected to position the company to emerge from this period with significant growth potential. In the near term, our focus on maximizing efficiencies in our operating model should allow us to remain profitable, even at lower business levels. Thank you very much for joining us. We are welcome to call Paul, Chris or me if you have further questions. This concludes our call. Thanks for your interest in ESI.

Operator

This concludes your Electro Scientific Industries conference call for today. You may now disconnect.

May. 08. 2008 / 5:00PM, ESIO - Q4 2008 Electro Scientific Industries, Inc. Earnings Conference Call

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.