



Designed for Brilliance. Engineered for Production.

Electro Scientific Industries

March 2016

This presentation may contain forward-looking statements which are subject to a number of risks and uncertainties. Risks and uncertainties that may affect the forward-looking statements include:

- The relative strength and volatility of the electronics industry – which is dependent on many factors including component prices, global economic and political stability, and overall demand for electronic devices (such as capacitors, semiconductor memory devices and advanced electronic packages) used in wireless telecommunications equipment, computers, and other consumer and automotive electronics
- The ability of the company to respond promptly to customer requirements
- The ability of the company to develop, manufacture and successfully deliver new products and enhancements
- The company's need to continue investing in research and development
- The company's ability to create and sustain intellectual property protection around its products.

Such risks and uncertainties are discussed in more detail in the company's annual report on Form 10-K and other interim reports on Form 10-Q.

Revitalization of ESI is On Track

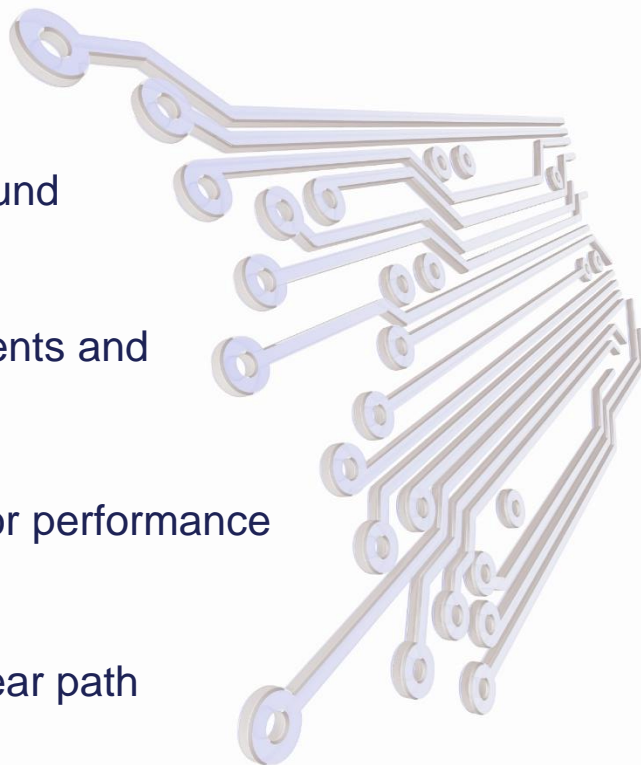
Strong foundation of precision laser and systems technology

In transition year of three-year turnaround

Expanding into adjacent market segments and geographies

Utilizing proprietary laser technology for performance and cost advantage

Revitalization of ESI on track with a clear path to success

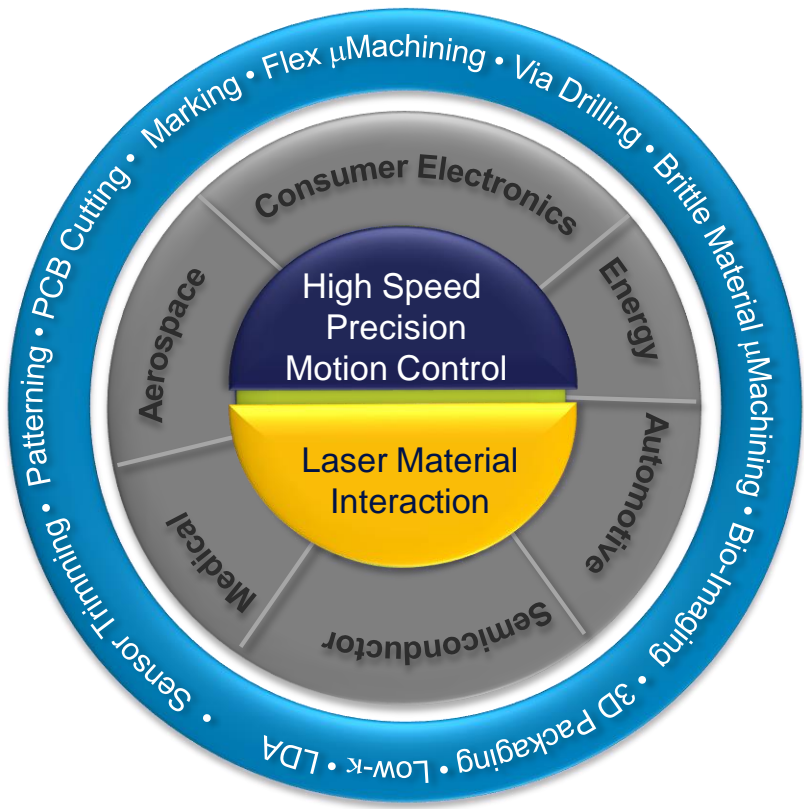


ESI at a Glance



- Founded 1944
- Technology: Laser-based microfabrication
- Valuable intellectual property portfolio
- Markets: Consumer Electronics, Semiconductor, Industrial Micromachining
- Manufacturing: Singapore, United States, China
- Fiscal 2015 revenue: \$159M
- Employees: ~675
- Solid balance sheet: \$60M of cash, no debt

Core Competences Match Market Requirements



Lasers Pervasive in Electronics Manufacturing



Stacked Die

Scribing and dicing of wafers



Advanced Interconnect

PCB drilling, cutting and routing



Display

Cutting, marking, patterning of brittle materials



Flex Circuits

Highest throughput in via drilling



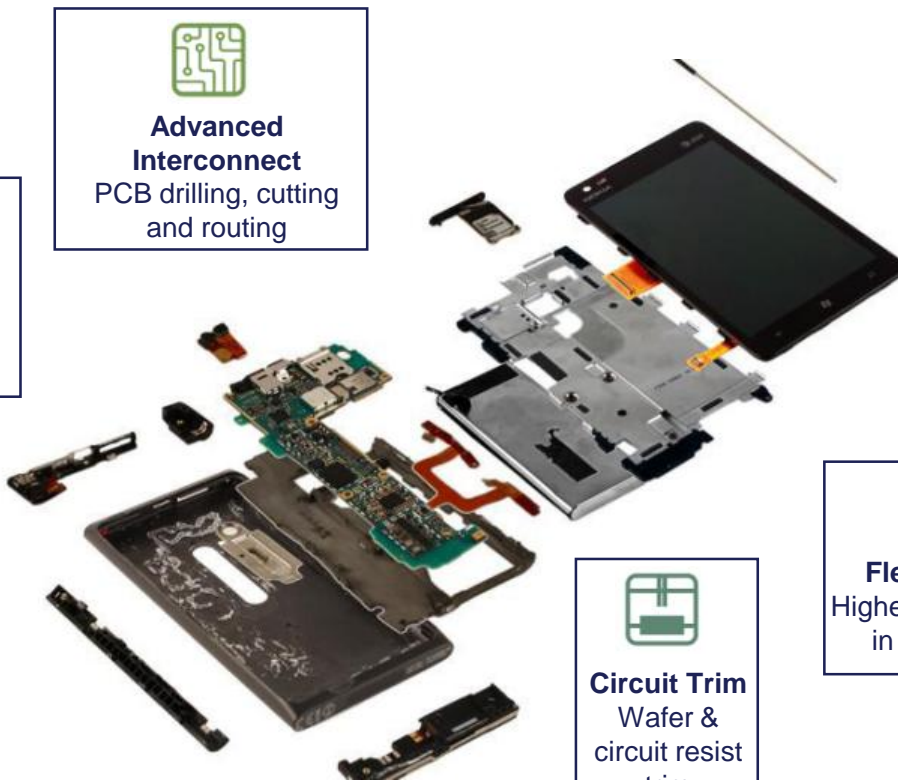
Circuit Trim

Wafer & circuit resist trim

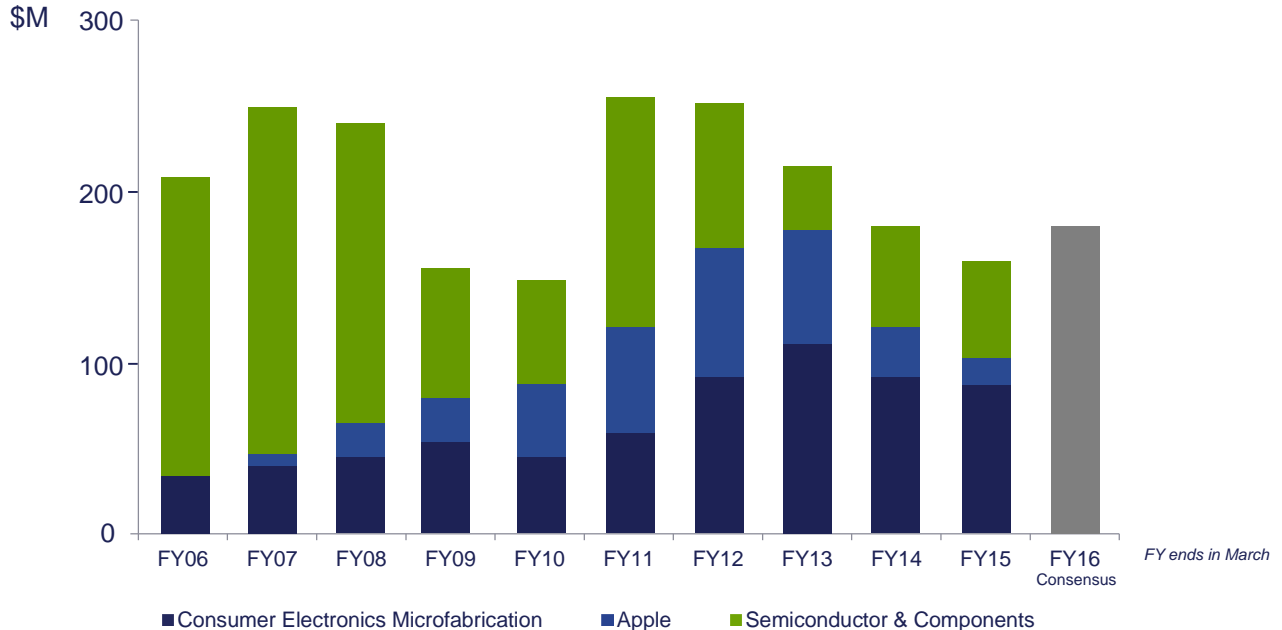


Enclosure

Marking, drilling, cutting, inspection



ESI Journey



- Lost 70% of revenue source from 2006 (DRAM yield improvement)
- Apple revenue filled the void temporarily
- Penetrate new markets to drive revenue growth and profitability



Growth Strategy

Lumen[™]
esi

GemStone[™]
esi

nvariant[™]
esi

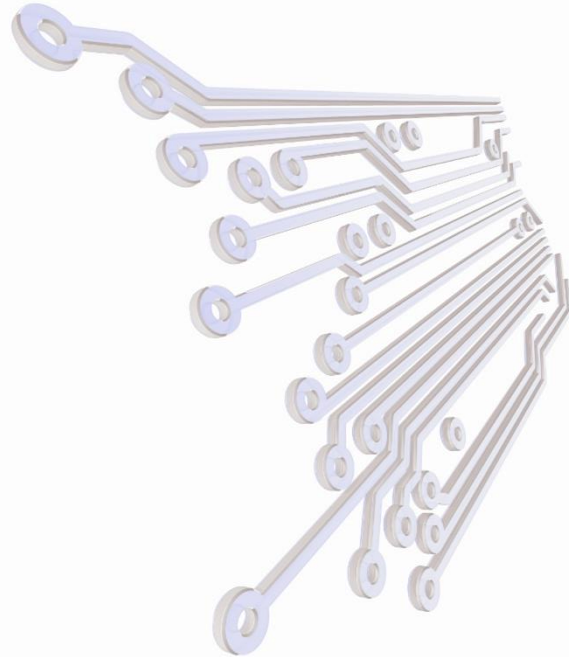
Key Strategic Initiatives

Defend and expand addressable market in PCB processing

Expand micro-machining customer base

Leverage proprietary laser technology for competitive advantage

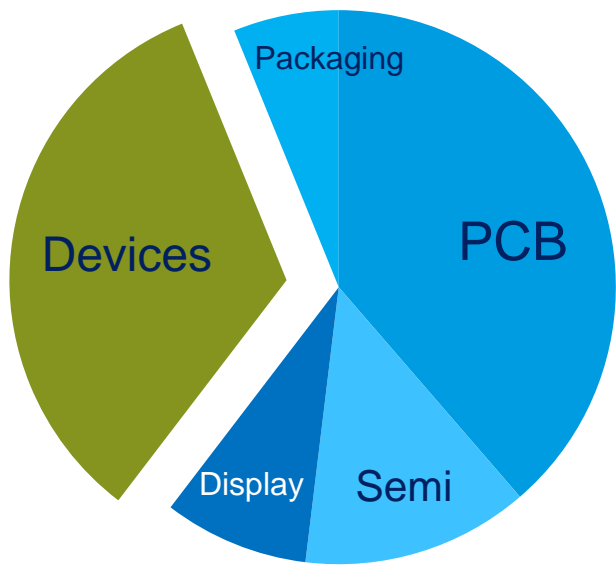
Apply lean concepts to control cost and increase operating leverage



Triple ESI Addressable Market in Three Years

**Device
Micromachining**

- Smartphones and tablets
- Fast-growing
- Time to market critical
- Short design cycles
- Mid-range applications
- Chinese contract manufacturers



**Component
Processing**

- Serves many industries
- Roadmap-based
- Largest market is PCBs
- Large adjacent markets
- Upside in Wafer and Display

2015 Global Laser Micromachining Systems
\$2.6 billion



Component Processing - PCB

Leverage franchise in Flex via drilling into ICP and HDI

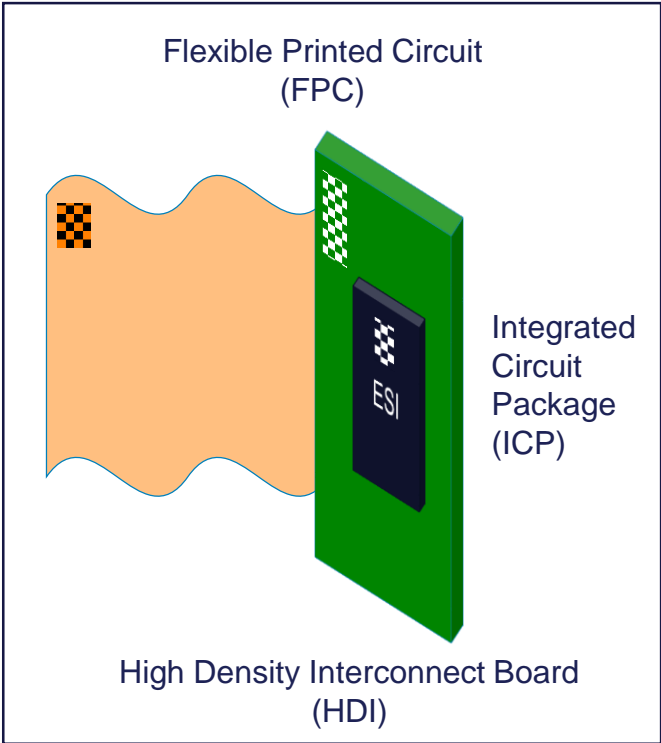
Miniaturization and SiP play to ESI strength in speed and accuracy

Modest share gain drives significant growth



\$1.0 Billion Market

Multiple Near Adjacent Markets



FPC:
Introduced GemStone
Spring 2015



ICP:
Introduced CornerStone
Summer 2015



HDI:
Introduced nViant
December 2015





Device Micromachining

Expand into the mid-range performance segment

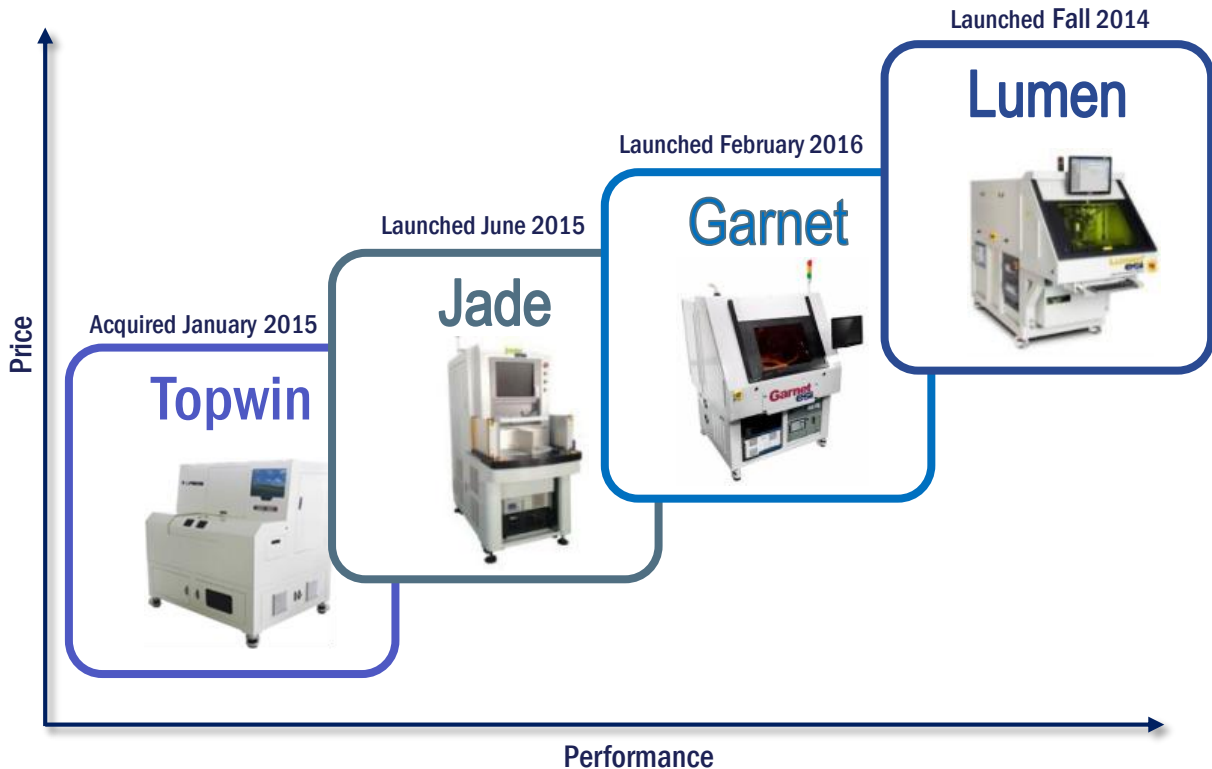
Utilize flexible low-cost platforms to address many application

Focus on China



\$900 million market

Expanding Portfolio for the Mid-Range Market

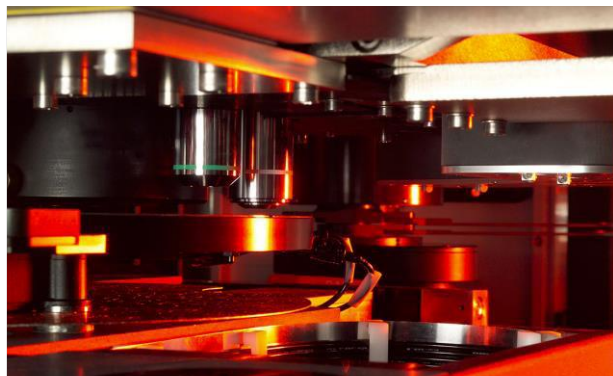


Internal Laser Capability Strengthens the Portfolio

Differentiated capability for ultrafast and high energy rod fiber laser

Lower cost structure and recurring revenue

Common architecture enables multiple applications

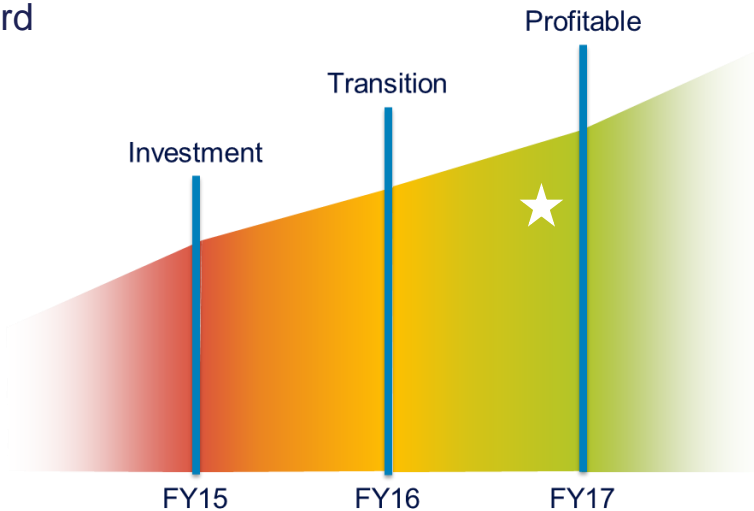


Progress to Date

- ✓ Strengthened and stabilized core business
- ✓ Invested in marketing and go-to-market strategies
- ✓ Launched new products in Flex and ICP, and HDI Markets
- ✓ Introduced Lumen, Jade, and Garnet low cost platforms for micromachining
- ✓ Expanded presence in China to penetrate micromachining market
- ✓ Ramped our first internally-developed laser in volume
- ✓ Qualified first ICP tool at major manufacturer in December 2015
- ✓ Positive EBITDA in last two quarters
- ✓ Operating cash flow positive last three quarters

Driving Shareholder Value

- In transition year of a multi-year turnaround
- Targeting solid and sustainable revenue growth by tripling our addressable market
- Solidly profitable next year
- Leveraged growth going forward
- Breakeven at \$50M per quarter
- Strong balance sheet
- Higher earnings multiple and shareholder value



Revitalization of ESI is On Track

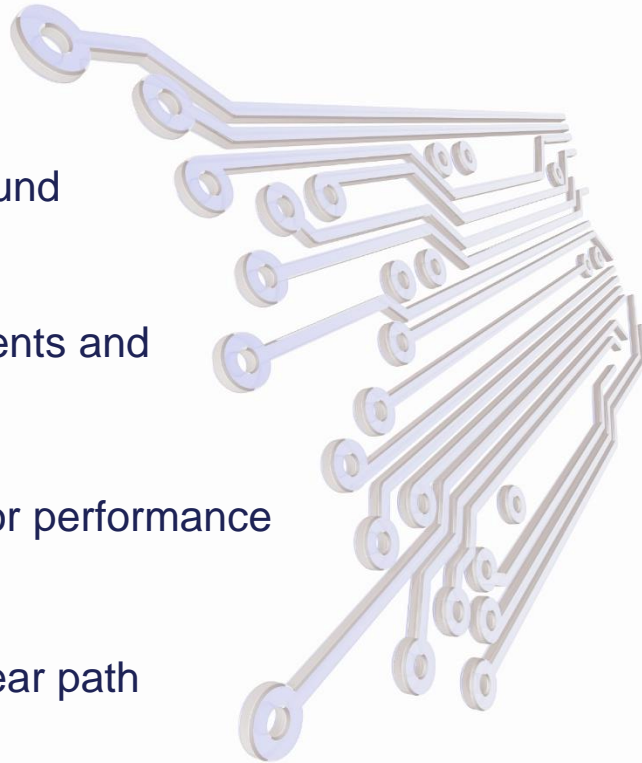
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Thank You

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