PARTICIPANTS

Corporate Participants

Brian Smith – Director-Investor Relations
Nicholas Konidaris – President & Chief Executive Officer
Paul Oldham – CFO, Secretary & Vice President-Administration

Other Participants

Jim Ricchiuti – Senior Analyst, Needham & Co. LLC
David Duley – Managing Principal, Steelhead Securities
Mark S. Miller MBA – Senior Research Analyst, Noble Financial Capital Markets
Tom Diffely – Vice President & Senior Research Analyst, D. A. Davidson & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen and welcome to the ESI Fiscal 2011 Quarter Four Earnings Conference Call. My name is Walter and I will be your operator for today. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today Mr. Brian Smith. Please proceed sir.

Brian Smith, Director-Investor Relations

Thank you, Walter and good afternoon everyone. My name is Brian Smith, Director of Investor Relations for ESI. With me today are Nick Konidaris, our CEO and Paul Oldham, our Chief Financial Officer. This conference call will cover our fiscal 2011 fourth quarter results.

Before we go into the details of the call, I would like to remind you that some of what we say on this call will include forward-looking statements concerning customer orders, shipments revenue, gross margins, expenses and earnings. 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 that we believe to be accurate as of today, May 10, 2011 and which could change in the future. This call is the property of ESI.

Now, I'd like to turn the call over to our CEO, Nick Konidaris.

Nicholas Konidaris, President & Chief Executive Officer

Thank you, Brian. Good afternoon, and welcome to our fourth quarter conference call. Our fourth quarter represented a strong finish to a great year with solid operational performance across all of our business groups.

Revenues and earnings were the highest in three years and we generated the strongest quarterly cash flow from operations in seven years. The economic environment appears to be holding steady and GDP growth estimates for 2011 remained positive.

Barring further major shocks to the economy, our industry fundamentals and market drivers should remain strong. Revenues for the quarter were $72 million, up 6% from Q3. Non-GAAP earnings per share were $0.22. Paul will go into more detail around the financials in a moment.

Let me now go through each business unit in turn. Revenues in our Semiconductor business were $17 million for the quarter and $79 million for the year, which is nearly triple of what we did last year. Revenue growth was driven by recovery in the DRAM market where we gained share with our proprietary tailored-pulse laser and increased sales in LED scribing. For the quarter, orders rebounded sequentially with strength in both memory repair and LED scribing.

Looking forward, we are seeing a healthy level of capital spending from the DRAM market, driven by mobile DRAM. Given the recent increase in DRAM prices and projections of supply shortages in the second half of 2011 we expect capital spending to continue at a robust space. Our growth in fiscal 2012 will depend on the timing and magnitude of capital spending by the major players.

We'll continue to make progress with our new model 9900 system for silicon wafer processing in advanced 3D packaging applications. Recent process evaluation at our first foundry customer are yielding excellent results. In addition, the system, we installed at our Japan demo center is being evaluated by multiple customers and we are excited by the market potential of this system.

As we mentioned at our last call, in the four quarter we installed the first demo system of our high brightness LED Scriber at the customer site. The initial results are favorable. We demonstrated equal or better light output to existing competitive solutions for high brightness applications and we continue to optimize the product and processes for specific customer requirements including the most advanced requirements for general illumination. Overall, while we expect a usual uneven demand levels quarter-to-quarter in our Semi Group, we should realize solid revenue growth in 2012.

Our Interconnect and Micromachining Group had another strong revenue quarter of $40 million. In fiscal 2011, IMG's revenue totaled $124 million and over the past four years has grown at a compound annual growth rate of over 30% even during one of the worst downturns in history.

On the orders front in the fourth quarter IMG generated its second highest levels of orders ever. Momentum continues to build in this business and we are excited about the market trends we see and the new applications and growth opportunities available to us as a result of our technology.

If we look within IMG, our flex interconnect business continue to perform extremely well driven by strong demand for consumer electronics products. Our newest model 5330xi continues to set the standard for throughput and cost of ownership in this space.

The Advanced Micromachining business had another strong quarter after record quarter last period. We received several large follow-on orders for existing applications and our pipeline of new customers and applications is very active. For the fiscal year, our orders for Advanced Micromachining applications nearly doubled and we see more growth opportunities are shared in this space.

Revenues in our Components Group were $14 million, on the strength of the order level in Q3. Q4 orders were seasonally lower reflecting the uneven nature of demand in this industry. As you mentioned in our last call we received an order flow for our LED package test system from a Tier 1 LED manufacturer. We expect to ship these units this quarter.

Looking forward, we believe that the fundamental drivers for passive component demand remain healthy, especially demand for smartphones and other consumer electronics products. Our focus on delivering the highest throughput and lowest cost-of-ownership should allow us to continue to lead in this market. Plus our entry into packaged LED test should contribute to growth in this fiscal year.

Finally, this quarter we've continued to execute on our globalization strategy with over 50% of our output coming from our Singapore operation. This factory opened last March and achieved over $100 million in shipments in this first year of operation.

Before moving on, I would like to discuss our status with regard to the tragic events in Japan. The majority of our customers are located in or to the south of Tokyo. They sustained little or no damage and quickly resumed operations. We have a very small number of customers located near the area most affected by the earthquake and tsunami. We are responding to service request from these customers as circumstances allow.
We have a limited number of suppliers in Japan who provide components or subassemblies for our systems. We have not experienced any supply disruption to date and we are working closely with the suppliers to ensure material continues to flow. I would like to thank all of our employees in Japan for their dedication and resilience and their continued support for our customers during these crisis.

Turning now to the outlook for ESI. The current market environment is one of nearly insatiable consumer demand for new technology products. This is leading to growth opportunities for ESI both in terms of capacity expansion and new technology. Our strategy is to leverage these opportunities by delivering industry-leading technology and applying it to the new applications in laser-based microengineering.

For the fiscal year we continue to target 15% to 25% revenue growth driven by continued success of our Advanced Micromachining solutions and our entry into high brightness LED Scribing, LED package test, and 3D packaging applications for silicon wafers. For the first quarter, we expect revenues to increase to between $75 million and $80 million and non-GAAP EPS between $0.24 and $0.28.

Now, I will turn the call over to Paul for a detail discussion of our results for the fourth quarter.

Paul Oldham, CFO, Secretary & Vice President-Administration

Thank you Nick, and good afternoon everyone. The following information includes results from our fourth quarter and fiscal year 2011, which ended April 2nd. To improve comparability, we're also providing earnings per share and related income statement results on a non-GAAP basis, excluding the impact of purchase accounting, equity compensation, restructuring expenses and non-recurring items.

For the fourth quarter, we generated $73 million of orders compared to $78 million last quarter and $54 million in the fourth quarter last year. The sequential decline is primarily a result of the record orders we received last quarter in our Interconnect and Micromachining Group, which had its second highest orders this quarter. We also saw a rebound in semiconductor orders as demand increased for memory repair tools and LED Scribing systems.

Component test orders declined seasonally as customers absorbed capacity while activity for tooling continue to be solid. Shipments were strong at $75 million, up from $63 million as we shipped against the orders received in Q3 to meet aggressive customer requirement dates.

Ending backlog decreased by $3 million to $66 million primarily within our Component Test Group resulting in a book-to-bill ratio of 0.97 to 1. However, deferred revenue increased $4 million due to timing of customer acceptances and higher contract service bookings. Revenue for the fourth quarter increased 6% sequentially to $72 million, driven primarily by strong IMG shipments.

Gross margin for the fourth quarter was 44% including approximately $540,000 in cost of goods sold for purchase accounting and equity compensation. On a non-GAAP basis, gross margin was 45% down slightly from last quarter. Margins were negatively impacted by product mix and higher warranty related costs.

GAAP operating expenses were $25.7 million, including approximately $2 million of stock compensation and purchase accounting amortization. GAAP operating expenses declined $1.8 million from last quarter as the legal settlement and restructuring costs did not repeat.

Excluding the impact of these items non-GAAP operating expenses were $23.7 million, up $350,000 from the prior quarter, but below our guidance from January as a result of good expense control. Looking forward, we expect non-GAAP operating expenses to be approximately flat in the first quarter.

On a GAAP basis, operating income was $5.8 million compared to $2.5 million last quarter. Non-GAAP operating profit was $8.3 million or 12% of sales compared to $7.2 million or 11% of sales in Q3. Other income was $690,000 due mainly to a gain on the sale of auction rate securities.

Income tax expense for the quarter was $463,000 and effective tax rate of approximately 7%. The tax rate is a result of overall income levels for the year and a relatively higher mix of foreign income. On a non-GAAP basis, our tax rate was approximately 22%.

In the long-term, we continue to expect our GAAP and non-GAAP tax rate to be in the very low 30s. On a GAAP basis, fourth quarter net income was $6 million or $0.21 per diluted share. On a non-GAAP basis, net income was $6.5 million or $0.22 per diluted share compared to net income of $5.9 million or $0.21 per diluted share in the prior quarter, which included a benefit of approximately $0.03 from the reinstatement of the R&D tax credit.

Turning now to our balance sheet, cash and investment including restricted cash were $205 million, up $27 million from last quarter. Cash flow from operations was $29.3 million for the fourth quarter, our highest quarterly level since 2004.

This excellent cash flow performance was the result of a combination of higher earnings and our continued efforts to improve working capital efficiency. For the full year, operating cash flow was just over $50 million or 20% of sales. This was the highest annual cash flow for the company since 2001 and illustrates the cash flow leverage in our business.

Looking forward to Q1, we expect cash flow to be down seasonally as accrued liabilities will be significantly lower. For the quarter, inventories decreased by almost $5 million and inventory turns increased to 2.4 times. Looking forward we expect to see inventory remain fairly flat and turns to improve as revenue increases.

Accounts receivable decreased by $0.5 million to $44 million despite higher shipments. DSO decreased by five days to 56 days largely due to the timing of shipments and good collections.

Capital expenditures were $2.2 million and depreciation and amortization excluding purchase accounting was $2.6 million.

Looking forward, our markets are healthy but lumpy. We continue to see strong demand for our leading-edge products and expect growth from our new products as they gain traction in the market over the fiscal year. Given the strength we see in the business we expect revenues in the first quarter to increase to between $75 million and $80 million.

Gross margin will be roughly flat with sales of some lower margin legacy products offsetting the benefits of high volume. As a result, non-GAAP earnings are expected to be between $0.24 and $0.28 per share.

Now, I will turn the call back to Nick for a brief summary.

Nicholas Konidaris, President & Chief Executive Officer

To summarize, we completed a very successful quarter and year. Our markets are healthy and we are working diligently to execute our growth strategy. Our target for the new fiscal year is 15% to 25% revenue growth.

This concludes our prepared remarks. We are ready for your questions. Walter?

QUESTION AND ANSWER SECTION

Operator: [Operator Instruction] Your first question comes from the line of Jim Ricchiuti with Needham. Please proceed.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Thank you. Good afternoon.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Good afternoon Jim.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Nick, I wonder if you could talk a little bit about the new products in the current fiscal year. You're targeting I believe 15% to 25% revenue growth for the year as a whole. How should we think about new products in terms of their contribution and maybe if you could talk specifically about the ones you have the most confidence at this stage?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, the new products basically are the high brightness LED, the LED package test and the 9900 3D applications for semiconductor. All of them are going to be contributors to our growth of 15% to 25% towards the second half of the fiscal year. The other major player during this fiscal year in terms of growth would be new applications in our Advanced Micromachining.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Okay. And so for the – in terms of the high brightness product, where do you stand with it now, you have it at a customer site, so far it's performing in line with expectations, better than expected, but in terms of moving forward with that you still think it's going to be second half of the fiscal year?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, the – what happens is that the LED is a very – there is many process in LED, all of them trying to develop products that have the highest possible light output. As a good rule of thumb, a 10% better light output means at a minimum 200% higher price for the LED product. So you can imagine in this new industry that is fast growing where light output plays such significant role that people are trying all sorts of new processes to develop a better light output.

We have demonstrated from two customers a light output equal or better to a process that is based on sapphire substrates. The one however process that, that I think we think is going to be very promising and this is a newer development for very advanced illumination would be sapphire with what the industry refers as DBR layer with a metal layer. Because all of that would allow better reflection of the very photons and increases the light output.

We have made tremendous strides in this area. We are working extremely closely with an extremely important teaching customer. And we believe we're going to be the first to really come with a high volume production solution to that because there is no such solution by any supplier today.

<Q – Jim Ricchiuti – Needham & Co. LLC>: And then just a follow-up question with respect to the Semi business, the existing products that you have in that market, it sounds like you had a pick up in orders in the low brightness LED Wafer scribing area, how sustainable is that in the near term and in terms of the mobile DRAM, do you see that continuing to drive the business this year?

<A – Nicholas Konidaris – President & Chief Executive Officer>: We believe this is sustainable. I think that in terms of mobile DRAM the things that are a little bit unknown relative to the lumpiness of our industry is that timing and the extent of capital expenditures but other than that this is sustainable. And as we said in the Semiconductor Group where the memory repair is part of we expect further growth this year.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Great, I'll jump back in the queue. Thank you.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Okay.

Operator: Your next question comes from the line of David Duley from Steelhead. Please proceed.

<Q – David Duley – Steelhead Securities>: Yes, congratulations on some nice guidance.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Okay.

<Q – David Duley – Steelhead Securities>: Couple questions from me, just given the top line guidance, how should we think about the three segments in the June quarter?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah, typically we don't guide within each area, but in general what we would expect to see is continued strength in our Interconnect Group, some rebounding in Semiconductor and a little bit weaker to flat in the Component Test.

<Q – David Duley – Steelhead Securities>: Okay. And that's kind of the qualitative comments you made throughout your prepared remarks would indicate that, but I just wanted to double check. Just a couple of housekeeping questions, the tax rate I think I thought you had guided the tax rate in the current quarter higher and it came out lower. What was the reason behind that? And you mentioned long term low 30% tax rate, what should we model for the next two quarters?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah, the tax rate was a little lower than we indicated. That was primarily due to at the end of the year you are truing up all of your estimates and our mix of foreign income was a little bit higher than we'd estimated and we have a lower tax rate on our foreign income than we have in our U.S. income and that basically drove the difference.

As we look forward, we do see that the tax rate in the very low 30s and essentially that's because our operating income levels are kind of more normalized. Now you could say that we should have seen that in the fourth quarter, but the fourth quarter is still benefiting from the fact that earlier in the year we had very low operating income, and so the relative size of the benefits we receive over the course of the year has influenced the rate lower for the fiscal year '11. So we still believe something in the very low 30s is the right guidance as we go into next year.

<Q – David Duley – Steelhead Securities>: Okay. Two final questions from me, could you just help us understand why your cash flow was so strong in the current quarter? I just kind of, I'm not quite able to get to the total number there. And then, there's been lots of things written about Japanese laser drill suppliers having a tough time meeting demand. And I'm wondering what sort of impact having some of your competition out in your biggest market is having on your success in that marketplace?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah, David, it was really a combination of really everything going well for us. The culmination of a lot of the good work we were doing. So we saw higher earnings this quarter both on just the upfront earnings, but also the non-cash contributor elements to that.

We saw inventories down, we projected it will be down a little bit, they were down more than we thought. We were able to keep receivables basically flat on significantly higher shipments and that was a function of good terms, good collections, we collected a couple million dollars of past due accounts.

We were able to apply some customer deposits and things like that and we were able to really see flat receivables on quite a bit higher shipments. In addition, we continue to see increases in kind of our payables and accrued liabilities. That's a function of some costs we accrued during the year which get paid out early next year. That's the seasonality we talked about earlier. Our accounts payable days were up a little bit, I mean just every area performed well during the quarter and we had projected a good cash flow quarter, but it came even and better than our projections.

<Q – David Duley – Steelhead Securities>: Was there some cash generated from the auction rate securities or from stock options? Because I add up all those things you just mentioned, and I'm $5 million or $10 million short from your cash flow number. So, there's – I imagine there's something else in here, and I'm trying to figure out what it is?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah, it's – if you look at restricted, not restricted cash, but you look at auction rate securities that generated about $700,000 of cash. So that contributed a bit but it's not going to get you the difference. Probably the difference is going to be in accounts payable and accrued liabilities and to a lesser degree in higher deferred revenue this quarter.

<Q – David Duley – Steelhead Securities>: Okay. Thank you. Oh, and the question about the laser drilling and shortages in the business.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, we are aware of the observation you're making. Our general impression Dave is that the part of the supply that has been affected addresses CO2 drilling machines. We are in the UV space and therefore I will not say that we see a bonanza coming out of this disaster to the supplies.

<Q – David Duley – Steelhead Securities>: So, your performance in the drill business is just driven by a superior product and continued...?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Correct and we are focusing on to...

<Q – David Duley – Steelhead Securities>: Yeah, okay, thank you.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Thank you.

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Hey, David, one other quick note is, we also received the tax refund in the quarter, that was a couple million dollars. So as you're doing your math that will contribute to that number.

<Q – David Duley – Steelhead Securities>: Okay.

Operator: Your next question comes from the line of Mark Miller, Noble Capital Financial. Please proceed.

<Q – Mark Miller – Noble Financial Capital Markets>: You mentioned that the margins were slightly down this quarter, because of some product mix and warranty effects. And at the same time, it seems like the Semiconductor business, which was down in sales sequentially last quarter, is coming back. Does that bode well for – as we work through the existing backlog, that the margins – I know they're going to be flat next quarter, margins maybe slightly improving?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah, in general, as our Semiconductor business is a higher proportion of the total, then that bodes well for us from a mix perspective. In this quarter of course the Semiconductor revenue – while the orders were rebounding the revenue were down from Q3 and that, that was a big part of what impacted us in this quarter.

<Q – Mark Miller – Noble Financial Capital Markets>: I also believe you said you had – your deferred revenues increased by $4 million. Are they going to be coming in the next quarter?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: A portion of them will. The deferred revenue increase was partially related to acceptances of some systems and partially related to higher service contract bookings, which come in over the course of the next year.

<Q – Mark Miller – Noble Financial Capital Markets>: Thank you.

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yeah.

Operator: Your next question comes from the line of Tom Diffely with D. A. Davidson. Please proceed.

<Q – Tom Diffely – D. A. Davidson & Co.>: Yeah, good afternoon. Paul, I was hoping you could give us a little update on Singapore. And specifically, how that's impacted the income statement in the past or up to now, and how you think it's going to impact going forward?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Well, as you recall we opened our Singapore plant a year ago in March and that plant has come up to speed very nicely. In fact as Nick mentioned, we did over a $100 million in shipments out of that plant this year and over 50% in this quarter of our shipments came from Singapore. And that's been a positive impact for us to margins, partially because of a lower cost base there, but primarily as we are able to drive the supply chain to a more local sourcing and that's a process that is occurring all the time.

We are seeing some benefits of that, but expect to continue to see additional benefits related to that effect. If you look at our globalization strategy overall, including both material cost or supply chain improvements and the lower infrastructure cost, we think that could be up to 200 basis points of improvement over the next couple years.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay and that's from today's levels?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Yes.

<Q – Tom Diffely – D. A. Davidson & Co.>: All right. And you said you're 50% there. What is your ultimate plan? What percent do you think you could ultimately outsource versus keep in the U.S.?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: While it depends a little bit on the mix of our business, but fundamentally our strategy is that our Interconnect and Component Test products and LED products would be assembled in Singapore. Our current memory repair products would continue to be assembled here in Portland. And of course, we have our tooling products, which are located in a very efficient location in Southern Oregon. And so we would expect to see that ratio continue to come up some, but it would depend on the mix of our businesses.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. But it sounds like the majority of the new products you're developing are all going to be Singapore-based?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: That's right.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And in the past, we've always talked about how the Semiconductor business is the high margin business. If you look forward at some of these new products, where do you think they fit into the continuum of gross margins that you have on your product lines?

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: If you look at our new products, the ones that Nick mentioned, we would expect all of those to have good gross margins as a result of the innovation and cost of ownership proposition that we're bringing to our customers.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And then, on the – maybe an update on this – the wafer thinning or the thin wafer dicing business. It seems like we're hearing more and more about different companies experimenting with the stacked chips inside of the package. Just wondering if there's anything you can give us, as far as where you see most of the activity right now or how you expect that to ramp over the next few quarters?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, that's a good question. Early on we started developing the product on our application that we're calling thin wafer dicing. That continues to be a valid application. But thin wafer dicing was basically an underpinning application to a slew of applications under the name of 3D packaging. So this deals with via drilling to connect stack die, deals with thin wafer dicing and eventually deals with scribing of wafers. So at this point in time we are participating in the via drilling and thin wafer dicing.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. Do you see it mainly with the memory players or logic players, or where does it fit in right now?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Right now it fits with memory players, when it comes to thin wafer dicing, but fits with also some other players that are in the logic or wafer memory when it comes to 3D packaging.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And then, finally, when you talk about the laser repair tools, the memory repair tools, have you seen business come back from all your customers at this point?

<A – Nicholas Konidaris – President & Chief Executive Officer>: There is no change since last quarter and I think we said last quarter that we saw business coming from all customers except one and we mentioned that we would see orders coming at least in the second half of the year. We have not seen a change yet. But the guidance that we have referred to in that guidance we are not planning on any activity from the remaining memory customer to meet the guidance for at least the next couple of quarters.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. So that would be upside if it did show up.

<A – Nicholas Konidaris – President & Chief Executive Officer>: And if when that comes, that would be an upside, correct.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay, all right. Thank you very much.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Thank you.

Operator: Your next question comes from the line of Jim Ricchiuti with Needham. Please proceed.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Can you talk a little bit about the strength you're seeing in the IMG business? It sounds like you were seeing strength both in Advanced

Micromachining as well as in Flex, but maybe you can give us a little bit more color on what you're seeing in that market?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, in that market, we are in flex and we are in Advanced Micromachining. In Flex, we had strong orders second highest on record and the main driver there is the consumer electronics specially smartphones and look alike.

In Micromachining – Advanced Micromachining, we also saw strong orders second highest on record. The record was last two quarters ago and again the driver there happens to be the consumer devices that all of us are familiar that have captivated our demand and have created this insatiable demand as we said.

We see continued strength in both of them primarily on the basis of the consumer electronics demand growth, which is expected in the neighborhood if you take as a proxy for that the smartphones or the mobile phones in the neighborhood of 20%.

<Q – Jim Ricchiuti – Needham & Co. LLC>: And Nick, you mentioned that there – you had some large follow-on orders in Advanced Micromachining. Are these capacity-driven or are you seeing some new applications from your customers?

<A – Nicholas Konidaris – President & Chief Executive Officer>: They are capacity driven, but there are some new applications and there's a pipeline full of new applications.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Okay. And then, one final question. The cash is starting to pile up here. I wonder if you can give us an update, just in terms of your overall acquisition strategy going forward?

<A – Nicholas Konidaris – President & Chief Executive Officer>: What we have stated repeatedly that our strategies to grow profitably. We try to do that with internal development. But when we see an appropriate synergistic accretive opportunity as we have shown in the past, we would pursue an acquisition. So, some of the cash is keeping dry powder for that moment in time.

<Q – Jim Ricchiuti – Needham & Co. LLC>: How would you characterize the environment right now, just from the standpoint of the activity you're seeing in acquisitions? Are you...?

<A – Nicholas Konidaris – President & Chief Executive Officer>: We see interesting opportunities in the area of technology that would be complementary opportunities to what we are trying to do. And I would say the environment is nothing specific to report, but it is as good as before.

<Q – Jim Ricchiuti – Needham & Co. LLC>: And if I could just get one more question, just on the Component business, on the Passive – on the MLCC business, some seasonality this quarter, but just the overall environment, how is that shaping up over the next couple of quarters, in terms of what you're seeing and hearing from your customers?

<A – Nicholas Konidaris – President & Chief Executive Officer>: Yeah, what we're hearing is that the customers are experiencing utilization rates in excess of 90%. We did see, as we've mentioned a seasonal lull in systems orders, not so however, in accessories and belts and plates. This is the tooling and consumables where we saw a strong demand.

Again, this business is driven by consumer electronics as well as automotive and we expect that this business is going to – what we saw is that the lumpiness is going to come up strong again and the reason for that is that everything we see says that at least the devices are going to be growing by 15% a year.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Okay. Thank you, congratulations on the quarter.

<A – Nicholas Konidaris – President & Chief Executive Officer>: Thanks Jim.

<A – Paul Oldham – CFO, Secretary & Vice President-Administration>: Thanks Jim.

Operator: [Operator Instructions] We have no more questions. I would like to turn the conference back over to Nick Konidaris for closing statements.

Nicholas Konidaris, President & Chief Executive Officer

Thanks, Walter. In summary, we are executing well in a favorable market environment as reflected in the 72% revenue growth we saw in fiscal 2011. In the coming year, our strategy and growth initiatives will drive further growth in top line and in profits.

Thank you very much for joining us. You're welcome to call Paul, Brian or me if you have further questions. This concludes our call, thanks for your interest in ESI.

Operator: Ladies and gentlemen that concludes today's conference. Thank you for your participation. You may now disconnect and have a great day.