



STOCKS

It was another volatile, and down, week for U.S. stocks. The Dow fell 5.3%, the Nasdaq lost 9.3% and the SOX index tumbled 11.2%.

INDEX	Ticker	Close 10/24	Change Week
DJ-30 Ind.	DJ30	8,379.0	-5.3%
Nasdaq	COMP	1,552.0	-9.3%

ATE STOCKS

COMPANY	Ticker	Close 10/24	Change Week
Aehr Test	AEHR	\$2.49	-16.2%
Aetrium	ATRM	\$1.73	1.8%
Advantest	ATE	\$12.04	-9.5%
Cascade	CSCD	\$3.20	-7.0%
Cohu	COHU	\$11.76	-12.8%
Eagle Test	EGLT	\$14.29	-4.7%
Electroglas	EGLS	\$0.62	-22.5%
ESI	ESIO	\$8.33	-13.8%
FormFactor	FORM	\$16.19	-4.3%
inTest	INTT	\$0.61	-20.8%
K & S	KLIC	\$2.56	-22.4%
LTX-Credence	LTXC	\$0.65	-13.3%
Teradyne	TER	\$4.72	-18.8%
Verigy	VRGY	\$13.06	-7.2%
Avg.Change last week.			-12.2%

EDA STOCKS

COMPANY	Ticker	Close 10/24	Change Week
Cadence	CDNS	\$2.90	-35.7%
LogicVision	LGVN	\$0.38	-45.7%
Mentor	MENT	\$6.95	-15.7%
Synopsys	SNPS	\$16.17	-11.4%
Avg.Change last week.			-27.1%

INDUSTRY

A number of ATE companies – including LTX-Credence, Electroglas, LogicVision and inTEST – must have taken a deep breath of relief last week when NASDAQ announced that it had “suspended the enforcement of the rules requiring a minimum \$1 closing bid price through Friday, January 16, 2009.” It added that, “As a result of the suspension, all companies presently in the compliance process will remain at that same stage of the process, through that same date.”

ZVEI, the German chip industry group, said sales for the German chip industry declined in September by 4.7% MoM. YoY sales fell 5.1%. Based on euros, the industry would have booked a revenue decline of 13% in September. The German book-to-bill ratio continued its decline, to 0.93 in September from 0.95 in August.

The Information Network said the MEMs market will grow 25% in units in 2008 to over 2.5 billion units and 11% in revenues to US\$7.8 billion. Although consumer applications make up nearly 50% of the MEMs market and will be negatively affected by the credit crisis, new and emerging applications will take up the slack it said.

The peak season for NAND FLASH this year will only last for the month of October, and prices for 16Gb and 32Gb chips are expected to fall again next month. Memory makers indicated the price of NAND FLASH in October is likely to mark the highest point for a while, and another plunge is expected in early 2009. The recovery of NAND FLASH prices will depend on how long the financial crisis takes to resolve as well as market demand.



COMPANIES

Teradyne reported sales of \$297 million in the third quarter of 2008 and a loss from continuing operations of \$23.5 million. (Cost of Revenues includes a provision of \$20.6 million for excess inventory in the Semiconductor Test Division.) Bookings for the quarter were \$198 million. For the present (December) quarter – excluding the impact of the pending Eagle Test Systems acquisition – it expects sales of \$190 million to \$220 million, with a loss of between \$0.07 and \$0.18/share, on a non-GAAP basis.

Cohu said its sales were \$48.0 million for the third quarter ended September 27, 2008 compared to \$64.5 million for the same quarter in 2007. Net for the quarter was \$37,000, or \$0.00/share compared to \$2.2 million or \$0.10/share for the third quarter of 2007. Semiconductor test handling equipment accounted for 79.3% of total third quarter 2008 sales, microwave communications equipment contributed 11.9% and closed circuit television cameras and related equipment were 8.8% of sales for the same period. Third quarter 2008 orders for semiconductor equipment decreased from \$39.0 million in the second quarter of 2008 to \$31.0 million in the third quarter of 2008.

ESI said its revenues for its FQ2'09, ended Sept. 27, were \$49.6 million, down 23% sequentially and a loss of \$0.7 million or \$0.02 per share, compared to a net loss of \$2.8 million or \$0.10 per share in the prior quarter. Its orders for the quarter were \$37.6 million, down 37% sequentially

Aetrium said its revenue for the third quarter ended September 30, 2008 increased to \$5,509,000, up 71% sequentially from revenue of \$3,222,000 in the second quarter of 2008. Net for the quarter was \$252,000, or \$0.02 per share, as compared to a net loss of \$441,000, or \$0.04 per share, in the previous quarter. However it noted that, "our bookings were stronger in the first half of the quarter and total bookings for the quarter were less than total revenue."

Cadence Design Systems postponed its scheduled October 22 financial report, saying it's reviewing the recognition of revenue related to customer contracts signed during the first quarter. It said it had found during its review of third quarter results that approximately \$24 million of revenue relating to these contracts was improperly recognized during the first quarter of 2008, but should have been recognized ratably over the duration of the contracts starting in the second quarter. It did not comment on whether these findings played any part in its major management shake-up earlier this month.

OptimalTest said it has signed an agreement with **STATS ChipPAC** to provide its Station Controller solution as a test management tool. The first implementation of OptimalTest's Test Floor Operations solution will be in STATS ChipPAC's operation in South Korea, with a subsequent rollout to STATS ChipPAC's other manufacturing sites worldwide.

LogicVision said its revenues in the third quarter ended September 30 2008 were \$3.2 million, compared with \$3.0 million in the second quarter of 2008. Its loss for the quarter was \$499,000, or \$0.05/share, compared with a net loss of \$1.0 million, or \$0.10 /share, reported in the second quarter of 2008. The third quarter loss was the smallest reported by LogicVision since October 2001 when the company went public.

LogicVision reported orders for the quarter of \$1.5 million, including from new customers, **NXP**, **EXAR** and Taiwan-based **Global Unichip**.

Teseda has partnered with **Mentor Graphics** to link Mentor's *YieldAssist* toolset with the Teseda Diagnostic Environment. This new capability will provide Teseda and Mentor customers with an integrated and truly layout-aware roundtrip flow that will accelerate their ability to rapidly diagnose scan failures down to the yield-limiting defects, and identify those defects in the physical layout.

Samplify Systems (Santa Clara, CA) has changed its business model, moving from an IP provider to a fabless semiconductor company with the announcement of its first silicon products, the company said last week.

SanDisk said it is still "open" to a **Samsung** buyout offer and hinted at more restructuring to come, as the largest supplier of retail FLASH memory cards reported a third-quarter 2008 net loss of \$155 million. The loss was significantly worse than the net income of \$85 million reported in the third quarter of 2007. However on Oct. 21, Samsung Electronics withdrew its \$5.8 billion (US\$26/share) offer to acquire SanDisk, saying it no longer believed SanDisk was worth the money it was offering

SanDisk has agreed to sell approximately 30% of the current NAND fab capacity of the parties' joint ventures to **Toshiba**. The revised allocation will make Toshiba the sole owner of some 30% of the total capacity. The remaining 70% will still be owned by the Toshiba-SanDisk venture, and that production capacity will be divided equally between Toshiba and SanDisk. The move to sell part of its fab venture could make SanDisk more attractive for an eventual acquisition by **Samsung Electronics**, according to some industry analysts.

Novellus Systems' CEO, **Richard Hill**, in a conference call, noted that while the semiconductor equipment business is notoriously cyclical, "but this is quite different." He said all the company's markets are down. "On a customer basis, there remain only three with the economic power to buy and less than three with the will to buy. The outlook right now is totally unpredictable to us."

SUESS Microtec (Garching, Germany) said its orders declined significantly YoY in Q3 31.3 million in Q3/2007 to 24.7 million euros, however its sales were up 55% YoY and to 34.6 million euros. Extraordinary write-offs and low visibility in the market cause the company to reduce its profit expectations. The company also had to write off other materials, reduce order expectations and absorb restructuring costs. All together, these 'special factors' turned the operational profit of 1.3 million euros (about US\$1.7) to a loss of 17 million euros.

Texas Instruments, in their third quarter earnings release last week, gave a pretty grim view of the future, predicting that its fourth-quarter revenue will "decline substantially based on weak order trends over the past few months."

ASIA

Japan

The SEAJ said that Japan-based chip equipment makers posted ¥79,152 million (US\$734.84 million) in orders in September, down 8.8% sequentially and down 38.8% YoY (three-month average basis). The three-month average of worldwide billings in September 2008 was ¥83,408 million (US\$774.35 million). The billings figure is up 3.1% sequentially, but down 52.6% YOY. The resulting B/B ratio for September was 0.95 compared to 1.07 in August.

Renesas Technology, the joint venture between Hitachi and Mitsubishi Electric said it is considering outsourcing part of its chip production to **Taiwan Semiconductor Manufacturing** to cut costs and concentrate on designing cutting-edge chips.

So. Korea

South Korea DRAM makers appear to have gained an upper hand against rivals in Taiwan as the Korean won has depreciated over 40% against the US dollar since the beginning of this year, while the Taiwan dollar has depreciated only single digit percentage points. The aggressive pricing strategies implemented by South Korea makers have also undermined efforts by rivals in Taiwan and Japan to help stabilize market conditions through production cutbacks, the sources said.

JAPANESE ATE STOCKS

	Ticker	Close Change	
		10/24	Week
NIKKEI 225	N225	7,649	-12.0%
Advantest	6857	1,148	-14.8%
JEM	6855	401	-7.0%
MJC	6871	637	-25.1%
TEL	8035	2,915	-6.3%
TSK	7729	762	-18.2%
Yokogawa	6841	405	-21.4%
Average change last wk.			-15.5%

Taiwan

Chroma ATE saw its after-tax profits decline 13% sequentially to NT\$335 million (US\$10 million) in the third quarter of 2008 as customers in the LCD and IC sectors, cut their capital expenditure budgets amid current economic downturn. For the first three quarters of this year, after-tax profits totaled NT\$1.09 billion, a drop of 10% from the same period of last year. The earnings translated to a net EPS (earnings per share) of NT\$3.22.

Giga Solution Tech president, **LP Chen**, says the RF IC testing company, expects to have 20-30% sales growth in 2009. Demand for RF IC testing is driven by growing shipments of RF ICs. Giga Solution is the major RF IC testing company in Taiwan for power amplifiers (PA) for handset, WLAN, transceiver, TV tuner, GPS, Bluetooth and WiMAX applications. Although momentum in the global handset market is weakening, Chen indicated that the continued demand for increased functionality in the handset market will push demand for PAs and RF ICs.

ASE has entered into a basic agreement with **Spansion** that will broaden its business to include the packaging and testing of NOR FLASH memory in China. Under the agreement, ASE will own the majority stake in a new company set up with Spansion. This new company will take over operation of Spansion's existing facility in Suzhou, Jiangsu Province, which employs some 1,100 workers.

Powerchip Semiconductor, a major DRAM maker which has reported huge losses for the third quarter because of fast dropping prices amid serious oversupply in the market, has no plans for any capacity expansion next year, according to company chairman **Frank Huang**.

PEOPLE

Yukio Sakamoto, Elpida Memory, CEO/president, will take a 100% compensation reduction for November and December and a 50% reduction through March 2009 or until a monthly operating profit is reestablished

FINANCIAL REPORTS

Aetrium, Inc.

FQ3 Ending Sept. 30 : \$000

	2008	2007
Sales	\$5,509	\$7,704
Ops. Pft.	329	1,304
Net	252	1,388
Per shr.	0.02	0.13

COHU, Inc.

FQ3 Ending Sept. 27 : \$000

	2008	2007
Sales	\$48,016	\$64,490
Ops. Pft.	116	3,275
Net	37	2,235
Per shr.	0.00	0.10

Electro Scientific Industries.

FQ2 Ending Sept. 27 : \$000

	2008	2007
Sales	\$49,610	\$82,318
Ops. Pft.	(2,294)	7,536
Net	(665)	5,530
Per shr.	(0.02)	0.19

LogicVision, Inc.

FQ2 Ending Sept. 30 : \$000

	2008	2007
Sales	\$3,180	\$3,031
Ops. Pft.	(516)	(800)
Net	(499)	(688)
Per shr.	(0.05)	(0.07)

Teradyne, Inc.

FQ3 Ending Sept. 30 : \$000

	2008	2007
Sales	\$297,255	\$299,461
Ops. Pft.	(17,276)	31,988
Net	(22,689)	40,989
Per shr.	(0.13)	0.22
Orders	\$198,07	\$273,332