

STOCKS

It was a generally poor opening of a new year for U.S. stocks. The Dow was down 2.0%, the Nasdaq closed down 0.3% and the SOX lost 5.1%.

MARKET INDEXES

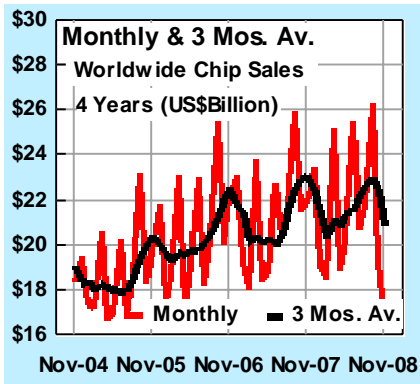
INDEX	Ticker	Close 01/09	Change Week
DJ-30 Ind.	DJ30	8,599.2	-2.0%
Nasdaq	COMP	1,571.6	-0.3%

ATE STOCKS

COMPANY	Ticker	Close 01/09	Change Week
Aehr Test	AEHR	\$2.19	6.8%
Aetrium	ATRM	\$1.74	-10.8%
Advantest	ATE	\$15.46	-5.3%
Cascade	CSCD	\$2.86	46.7%
Cohu	COHU	\$11.18	-8.0%
Electroglas	EGLS	\$0.20	37.1%
ESI	ESIO	\$6.55	-3.5%
FormFactor	FORM	\$14.49	-0.8%
inTest	INTT	\$0.29	16.0%
K & S	KLIC	\$2.11	24.1%
LTX-Credence	LTXC	\$0.35	29.6%
Teradyne	TER	\$5.24	24.2%
Verigy	VRGY	\$10.42	8.3%
Avg.Change last week.			12.6%

EDA STOCKS

COMPANY	Ticker	Close 01/09	Change Week
Cadence	CDNS	\$4.29	17.2%
LogicVision	LGVN	\$0.87	14.9%
Mentor	MENT	\$5.32	2.9%
Synopsys	SNPS	\$19.32	4.3%
Avg.Change last week.			9.8%



INDUSTRY

The WSTS said 'actual' (not 3-month avg) chip sales were \$16.96 billion in November, down 22.5% YoY and the lowest since April 2005, when actual sales were \$16.62 billion and the lowest November figure since 2003 at \$15.69 billion.

iSuppli said global sales of DRAM chips are expected to fall 4% in 2009, to \$24.2 billion, after falling 19.8% in 2008, to \$25.2 billion, and extending their decline for the third straight year amid a prolonged industry downturn and chronic oversupply.



The SOX fell 6.6 pts, 3.0% last wk.

DRAMeXchange said the slowdown in technology node migrations at the major DRAM producers is adding to the expected CAPEX cuts as DRAM makers struggle to combat increasing losses and preserve cash. The spending cuts are a direct result of the combined DRAM industry losing approximately US\$8 billion in 2008.

U.S. consumer confidence hit an all-time low in December. The Conference Board's Consumer Confidence Index fell to 38 in December from a revised 44.7 in November. Economists had expected the index to rise to 45.

November 2008 WW Chip Sales

The SIA reported that chip sales declined in November to \$20.8 billion (3-month avg.), down 7.2% sequentially and down 9.8% YoY from November 2007 sales of \$23.1 billion. Excluding memory products the YoY decline was 4.8% to \$17.3 billion from \$18.2 billion. Sales for the first 11 months of 2008 were \$232.7 billion, an increase of 0.2% from the first 11 months of 2007 when sales were \$232.2 billion. Excluding memory products, year-to-date industry sales increased 5.6%. "The worldwide economic crisis is having an impact on demand for semiconductors, but to a lesser degree than some other major industry sectors," said SIA president George Scalise

(US\$Billion)	MoM			YoY	
Market	Oct'08	Nov'08	%Chg	Nov'07	%Chg
Americas	3.21	3.08	-4.0%	3.83	-19.5%
Europe	3.42	3.17	-7.3%	3.68	-13.9%
Japan	4.24	4.06	-4.0%	4.39	-7.3%
Asia Pacific	11.60	10.53	-9.3%	11.23	-6.2%
Total	22.47	20.84	-7.2%	23.12	-9.9%

COMPANIES

Aehr Test Systems said its sales were \$9.2 million in the second quarter of fiscal 2009, ended Nov. 30, compared with \$9.7 million in same quarter of fiscal 2008. Pre-tax income was \$1.6 million in the second quarter of fiscal 2009, compared with \$1.6 million in the second quarter of fiscal 2008. Its GAAP net for the quarter was \$872,000, or \$0.10/ share compared with net of \$1.4 million, or \$0.16/ share, in the year ago quarter.

Aehr Test also announced it has received a second order for their new *Advanced Burn-in and Test System* (ABTS) from a “leading European provider of imbedded wireless technology.” The system is configured for burning-in and testing advanced logic devices.

LTX-Credence announced the addition of two new FX digital options for its X-Series test platform — the FX2 and FX-HS digital subsystems. The FX2 offers double the digital pin count per instrument as current FX1 digital subsystems, The FX-HS provides digital pattern rates up to 800 Mbps.

LTX president/CEO, **Dave Tacelli** speaking at the *Needham Growth Stock Conference* last week said he believes that the ATE ‘buy-rate’ fell to 1.2% last year from 2.1% in 2006.

Cascade Microtech said **Peking University**, (Beijing) of China has selected its Summit 11000 series probe station for its *Institute of Microelectronics RF Measurement Lab*.

Micro Control Company (MCC) has announced that **ISE Labs** has ordered the *HPB-5B* burn-in with test system. The HPB-5B is a burn-in and test system that features active thermal control for high-power semiconductor devices rated up to 150 W.

AJI Co., a Yokohama, Japan- based wafer level packaging equipment maker, has set up **AJI Technologies** as a wholly-owned subsidiary, in San Jose, CA “in an attempt to put more energy on cooperative development activities in the U.S.,” according to the company

Intel expects to report fourth-quarter revenue of \$8.2 billion, down 23% from a year earlier and off sharply from its November guidance, blaming a further slowdown in chip demand. Also, the company will book a \$950 million impairment charge on its investment in network-operator **Clearwire** and expects a loss on from equity investments of as much as \$1.2 billion.

Advanced Micro Devices said it will cut about 600 jobs, 100 more than previously planned, as it struggles to return to profitability. The cuts will result in an expense of about \$70 million in the fourth quarter, including \$34 million from severance costs and the continuation of some employee benefits, the company said. The company, on course for its third-straight annual loss this year.

Microchip Technology has lowered its forecast, extended taken pay cuts and reduced its IC production rate. It expects sales for the third fiscal quarter to be down 29%-to-31% sequentially, and earnings/share on a GAAP basis for the quarter to be approximately \$0.21-to-\$0.24. It said it also continuing actions to reduce manufacturing capacity at its wafer fabrication facilities in the U.S. and its assembly and test facility in Thailand.

District Court Judge Sue Robinson ruled Friday that **Rambus** had destroyed documents in a court case, and barred it from enforcing patents against **Micron Technology**.

ASIA

China

The China Semiconductor Industry Association (CSIA) reported that China’s semiconductor industry only had a 5% sales growth in 2008 compared to a 24.3% increase in 2007 as the manufacturing segment only grew 1% last year. The packaging and testing segment rose 7%, while the design sector grew 7.5%, it said. For 2009, CSIA expects further slowing in the China semiconductor industry, with an estimated 4% growth.

SEMI, in a new report, said: “In the past five years, the China government influenced the investment of about \$7 billion in new fabs. In the next five years, another \$20–\$25 billion will be invested into the semiconductor industry by local governments throughout the country and, the central government will invest up to \$30 billion in the industry by 2020,” said SEMI.

SMIC is rumored to be in discussions over the sale of a strategic stake in itself to **Intel** according to *Reuters*.

Japan

The Nikkei 225 index finished 2008 at 8,859.56, down 42% YoY and its worst year ever. This follows an 11.1% decline for 2007. In 1989, on the last trading day of that year, it had hit an all-time high of 38,915.86.

Toshio Maruyama, president/CEO of **Advantest**, in a New Year message to employees and stakeholders, said: “This winter, we face what has been described as a ‘once-in-a-century economic crisis. Going forward, we can expect the environment to get even harsher, prompting shakeouts in a number of markets that will separate the survivors from the doomed. We see this as a unique opportunity to solidify our position and pull away from the competition as the industry recovers.”

Toshiba will delay construction of two semiconductor plants in Japan by "more than half a year as demand for microchips slumps," according to its president **Atsutoshi Nishida**. He added that losses at its microchip business may widen from the 59.5 billion yen (US\$655 million) reported for the six months ended Sept. 30 and it will reduce the contract workforce at its chip plants beyond the 700 job cuts earlier planned, and cut executive pay.

So. Korea

South Korea's exports fell by more than 15% for a second straight month in December, adding to signs the economy is headed for its first recession since 1998. Exports dropped 17.4% from a year earlier after tumbling 19% in November, the biggest decline since 2001.

Samsung Electronics is considering slashing its investment in semiconductors by more than 50% this year to 2-3 trillion won (US\$1.5-US\$2.3 billion) *The Korea Times* said. Samsung invested 6.2 trillion won in chips in 2008, down from its earlier plan of 7 trillion won. Samsung denied the report, saying: "We have not made any decisions on our investment plan, and even if we had a plan it would be contingent on different economic scenarios that will be possible during this year." The last time its investment in semiconductors dropped to the 2 trillion won level was 2002.

JAPANESE ATE STOCKS

	Ticker	Close Change	
		01/09	Week
NIKKEI 225	N225	8,837	0.9%
Advantest	6857	1,422	-1.1%
JEM	6855	491	-3.5%
MJC	6871	778	3.9%
TEL	8035	3,330	7.8%
TSK	7729	807	5.1%
Yokogawa	6841	573	2.9%
Average change last wk.			2.5%

Taiwan

Taiwan's exports slumped by a record 41.9% in December on weaker demand from the U.S. and China. It was the fourth consecutive month, the longest losing streak in almost seven years, the Ministry of Finance said.

Chroma Ate reported revenues of NT\$149 million (US\$4.5 million) in December, down 20% MoM. For the full year its sales totaled NT\$1.9 billion last year, down 4% YoY.

ASE and **SPIL** reported Dec. sales of NT\$4.14 billion (US\$125.16 million) and NT\$2.65 billion, respectively, both a sequential fall of over 30%. For all of Q4, ASE's sales dropped 29.1%, and SPIL's fell 27.8% YoY.

PEOPLE

Debbora Ahlgren, who recently resigned her position as VP/Chief Marketing Officer at **Verigy**, has joined **OptimalTest**, as its VP, Sales & Marketing. Before joining **Agilent** in 2003 and transferring to Verigy when it was spun-off, she had been VP, Marketing and Business Development for **LTX** and earlier had held management positions at **KLA-Tencor** and **Schlumberger**.

Lip-Bu Tan has been named president/CEO of **Cadence Design**, replacing **Michael Fister**, who resigned in October along with four other senior executives. Tan had joined the Cadence board in 2004. He will continue to serve as chairman of a venture capital firm he founded in 1987.

Aehr Test Systems

FQ2 Ending Nov. 30 : \$000

	2008	2007
Sales	\$9,242	\$9,675
Ops. Pft.	1,185	1,592
Net	872	1,366
Per shr.	0.10	0.16

COMMENTARY

In *FTR's* Opinion column for the January '09 issue we wrote "the three major prober makers are almost guaranteed to be reduced to just two (*Accutest/TSK* and *TEL*) as *Electroglas* abandons that market this year". No surprise, *Electroglas* disagrees, and responded as follows.

Jim,

While I appreciate your thoughtful opinions on potential consolidations of test and prober companies, I want to update you on the *Electroglas* business plan. We continue to see great potential for the EG6000 prober as the tool of choice for applications requiring optimum throughput, accuracy and yield. Since its introduction two dozen of the best foundries, IDMs, and test houses have evaluated it and 90% of these evaluations resulted in qualification and purchase of our 300-mm product – demonstrating the cost of ownership advantages which the 6000 brings to the prober market. We are continuing to engineer additional capabilities into the 6000. When the equipment market recovers from its current comatose state we expect that the accounts which we have successfully penetrated will be purchasing our prober product in record numbers.

During these evaluations it became apparent to us that our new technology platform truly is a world leader in precision motion control. Therefore, we are leveraging this technology into new applications. Our success in these new applications is truly a validation of our engineering prowess but in no way should it be mistaken for a lack of confidence in the prober business. In a cyclical market such as ours, companies like *Electroglas* gain market share by persevering during downturns and then reap the rewards in the upturn. This is our plan and we are confident that we will succeed

Tom Rohrs, Chairman/CEO