

OEM CAPITAL – PHOTONICS MARKET FOCUS

MONTHLY MARKET

PERFORMANCE Closing Prices as of February 26, 2010

Company:	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	14.45	22.06	0.71 ▲	(1.69) ▼	NM
Agilent Technologies	10,976.14	4,528.0	28.03 ▲	2.00 ▲	67.92
Andor Technology plc	44.18	33.11	1.42 ▲	3.33 ▲	18.45
AXT Inc.	107.35	55.36	2.90 ▲	(1.43) ▼	NM
Cognex Corp.	749.69	175.73	16.37 ▲	1.69 ▲	NM
Coherent Inc.	790.78	434.31	29.68 ▲	1.16 ▲	NM
Corning Inc.	27,483.12	5,395.0	18.08 ▲	0.79 ▲	20.36
CyberOptics Corp.	50.79	27.07	7.26 ▲	3.36 ▲	NM
Dynasil Corp.	33.8	35.53	2.49 ▲	0.00 ▲	20.76
EXFO Electro Optical	343.55	172.08	5.42 ▲	3.63 ▲	NM
Gooch & Housego plc	35.79	36.41	1.70 ▲	0.83 ▲	53.22
Halma plc	938.06	456.27	2.34 ▲	(0.88) ▼	20.79
II-VI Inc.	861.78	264.5	26.74 ▲	3.28 ▲	42.29
Infinera Corp.	734.3	309.1	6.85 ▲	0.26 ▲	NM
IPG Photonics	725.33	185.89	14.40 ▲	0.51 ▲	152.58
JDS Uniphase Corp.	2,398.54	1,204.1	7.86 ▲	5.41 ▲	NM
KLA-Tencor Cor.	5,012.49	1,374.16	28.20 ▲	3.47 ▲	NM
Newport Corp.	381.93	366.99	8.51 ▲	1.52 ▲	NM
Oclaro, Inc.	362.69	286.8	1.65 ▲	3.09 ▲	NM
Ophir Optronics	433.43	384.36	15.66 ▲	2.82 ▲	21.23
Photonic Products	15.42	12.43	1.27 ▲	0.00 ▲	NM
Rofin-Sina	596.5	335.58	21.89 ▲	1.56 ▲	90.85
Rudolph Tech.	246.58	78.66	6.27 ▲	6.66 ▲	NM
Zygo Corp.	170.63	92.55	10.59 ▲	1.22 ▲	NM

million for the 12-months ended October 3, 2009. Halma recently completed the acquisition of **SphereOptics** in January, complementing their existing **Labsphere** light metrology subsidiary which Halma acquired in 2007.

Recent Transactions:

EMCORE Corporation entered into an agreement on February 3rd with Tangshan Caofeidan Investment Co. to sell a 60% interest in EMCORE's Fiber Optics Business Unit in a transaction valued at \$46.3 million. The fiber optics business will be operated as a joint venture under the name EMCORE Fiber Optics. The Fiber Optics businesses included in this

COMMENTARY
by Michael Simon

transaction are EMCORE's telecom, enterprise, cable TV, fiber-to-the-premises and video transport product lines. EMCORE

will retain the satellite communications and specialty photonics fiber optics product lines as well as the satellite and terrestrial solar businesses.

ITL Optronics Ltd. (TASE: ITL, FKA: International Technologies Lasers Ltd) announced the sale of a 55% stake in Fraser-Volpe LLC to Redstone Capital Corporation on February 8th in a transaction valued at \$27.3 million. Fraser-Volpe is a leader in gyro-stabilized electro-optic systems. Redstone Capital had offered to acquire all of ITL in December, Redstone's offer to acquire all of ITL was cancelled when the Fraser-Volpe deal was announced.

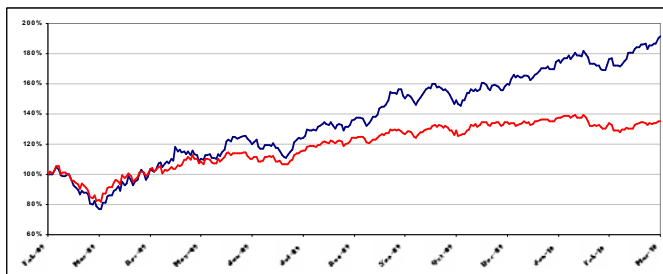
L-3 Communications announced the acquisition of **Insight Technology** on February 19th, terms were not disclosed. Based in Londonderry, New Hampshire, Insight Technology manufactures night vision and electro-optical systems for laser-aiming and illumination, imaging and ranging products; sales were approximately \$95 million last year.

Agilent Technologies completed two transactions, selling their network solutions test business to JDS Uniphase on February 10th, and selling the Agilent Micro Gas Chromatography business line to Inficon Holding AG on January 29th. The Network Solutions Test business provides network communications test and measurement services for 3G, WiMax, Bluetooth and emerging 4G networks and the announced price was \$165 million.

Positive signs: Most of the Index companies are reporting better-than-expected earnings, we're hearing more reports of growing backlogs and depleted inventories. Large strategic buyers, always a key driver in a consolidating industry like ours, are coming back into the market. In some cases deals are being driven to consolidate a market position (eliminate competition), in other cases the internal R&D cupboard is barren and transactions are done to bring new technology into the group for the next wave of products and growth.

Source of financial data: Standard & Poor's, CapitalIQ, FT and Thomson Financial. U.S. dollars and cents. Stock prices current as of January 29, 2010. Copyright 2010 by OEM Capital
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OEM Photonics Index vs. S&P 500:



Photonics Industry S&P 500 Index

Selected Statistics for Index Companies:

Selected Trading Multiples:	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	2.7x	2.7x	2.5x	3.2x
TEV/EBITDA	12.5x	13.6x	31.1x	23.2x
Return on Equity %	16.4%	21.5%	6.4%	6.6%
Gross Margin %	49.4%	48.1%	43.7%	43.1%
EBITDA Margin %	21.2%	19.6%	13.6%	13.9%
Net Income Margin %	17.8%	25.1%	9.8%	9.8%
Total Revenue, 1 Yr Growth %	11.6%	(0.5%)	(18.6%)	(18.1%)
Total Revenue, 2 Yr CAGR %	13.9%	5.4%	(10.1%)	(9.7%)
Total Revenue, 3 Yr CAGR %	12.6%	8.9%	(3.4%)	(3.0%)

Changes to the Index: This month we'd like to welcome two new companies to the Photonics Market Index: **Gooch & Housego plc** and **Halma plc**, both based in the United Kingdom with substantial global photonics activities. Gooch & Housego plc has a diverse portfolio of photonic components supplied mostly to OEM customers, reporting sales of £36.4 million for the fiscal year ended September 30, 2009. Halma operates in three sectors: infrastructure sensors, health and analysis, and industrial safety, reporting sales of £456.3