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## Ceradyne Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

(Operator Instructions)

Your first question comes from the line of Tim Quillin with Stephens Incorporated.

#### **Tim Quillin - Stephens Incorporated**

Hi, good morning.

#### **Joel Moskowitz**

Good morning, Tim.

#### **Tim Quillin - Stephens Incorporated**

First question is how should we think about the quarterly distribution of armor revenue for the rest of the year? Should we plan for it to be a little bit lower in 2Q and 3Q, and then higher in 4Q when presumably the XSAPI is awarded?

#### **Joel Moskowitz**

That's a very good question. I think that I'll have Dave Reed response to it. Remember, Dave is responsible for all North American operations and he is very knowledgeable about armor programs. Dave?

#### **Dave Reed**

Hi, Tim. Yeah, I think the best way to look at that is in the first quarter we still were running at a fairly accelerated rate with our army business in January and the first half of February. So, we only saw our spread out of the business in the second half of the quarter. So, I think in second and third quarter we'll be down a little bit, maybe about \$8 million to \$10 million in sales of our body armor. In the fourth quarter we should be maybe a slight uptick from there and that will definitely depend on the XSAPI award and what level of that award we win, Tim?

#### **Tim Quillin - Stephens Incorporated**

Okay, which brings up the second question, what is your thinking in terms of the timing of the XSAPI award, and in terms of the latest military expectations on how many service members would actually be issued the XSAPI? Thank you.

**Dave Reed**

We don't have that final information on what the army is going to decide, whether they are going to rollout just initially with theater staging, which is typically in the 230,000 to 260,000 sets range, or whether they will announce early to go all the way to pure fleet. They have not made that decision or announcement to anyone at this point.

What we've heard about the solicitation is that everything is going well. The testing is probably about half over now. As you know, they had multiple product demonstration samples from all of the vendors. So they have a lot of product to test and we expect the testing to be completed in early June now. So everything seems on line for awards to take place sometime mid to late Q3.

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