



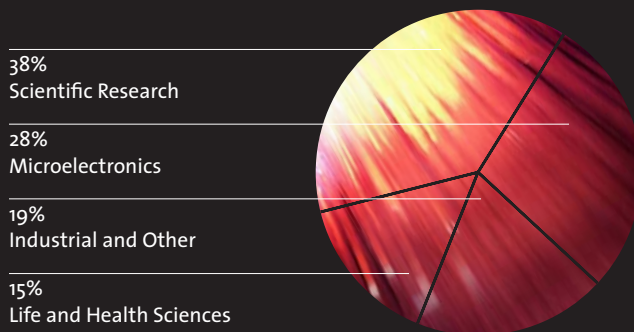
NEWPORT CORPORATION 2005

The World's Source for
Complete Photonics Solutions

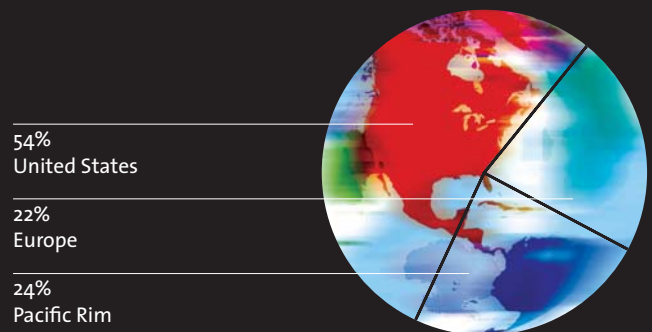
NEWPORT CORPORATION – The World’s Source for Complete Photonics Solutions

Newport Corporation is a leading global supplier of advanced-technology products and systems to the scientific research, microelectronics, life and health sciences, aerospace and defense/security, and general industrial markets. The company provides components and integrated subsystems to manufacturers of semiconductor processing equipment, biomedical instrumentation and medical devices, advanced automated assembly and test systems to manufacturers of communications and electronics devices, and a broad array of high-precision systems, components and instruments to commercial, academic and government customers worldwide. Newport’s innovative solutions leverage its expertise in high-power semiconductor, solid-state and ultrafast lasers, photonics instrumentation, precision automation, sub-micron positioning systems, vibration isolation and optical subsystems to enhance the capabilities and productivity of its customers’ manufacturing, engineering and research applications. Newport is part of the Standard & Poor’s Midcap 400 Index and the Russell 2000 Index.

DIVERSE END MARKETS (% of Q4 2005 Sales)

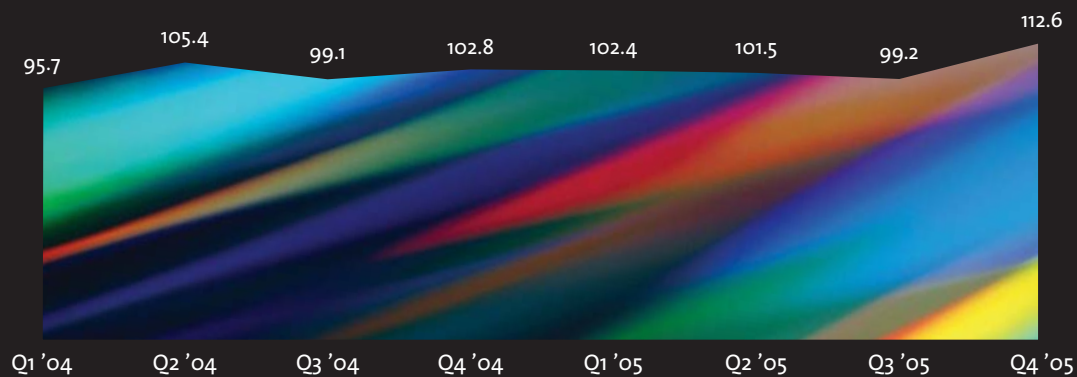


GEOGRAPHIC BALANCE (% of Q4 2005 Sales)



QUARTERLY ORDER TRENDS*

(Amounts in millions of U.S. dollars)



*All periods represent continuing operations. Q1, Q2 and Q3 of FY04 are pro forma as if Newport and Spectra-Physics had been combined.

FROM INTEGRATION TO GROWTH

2005 was an important year for Newport, as we completed the integration of Newport and Spectra-Physics, the laser and optical technologies businesses of Thermo Electron Corporation (NYSE: TMO) we acquired for \$275 million in July 2004. Implementing our restructuring plan, we closed two factories, consolidated and sold product lines, streamlined our operations and reduced our headcount by 240 positions. As a result, we have been able to realize more than the \$12 million in annualized cost savings we expected at the time of the transaction.

More importantly, we successfully combined two high-quality management and employee teams, which are now working together to produce complete photonics solutions based on our complementary technologies and to drive profitable growth in all areas of our business.

STRONG FINANCIAL PERFORMANCE

2005 marked the first full year of financial results for our combined company, and we are very pleased with our results. We improved our profitability on increasing sales in every quarter of 2005. Our 2005 sales of \$403.7 million increased 3.6% over what they would have been in 2004 had Newport and Spectra-Physics been combined for the entire year. We are also very encouraged by the momentum we have built in our business. Our book-to-bill ratio has been greater than one for six of the last eight quarters.

For 2005, we had income from continuing operations of \$25.7 million, or \$0.60 per diluted share. These results were offset in part by a loss from our robotic systems operations, which were discontinued in the first quarter of 2005 and sold in December. In addition, in the first quarter of 2005 we recorded an extraordinary gain from a favorable legal settlement. Combining these items, we reported net income for 2005 of \$11.6 million, or \$0.27 per diluted share.

Our gross margin improved to 41.9%, which far exceeds the gross margin that either Newport or Spectra-Physics reported in the most recent periods prior to our combination. We also have reduced our SG&A expenses as a percentage of sales, and are continuing to build our cash and marketable securities balances.

STRATEGIC GROWTH INITIATIVES

In 2006, our strategy is to make the transition from integrating the business to driving sales growth across all of our product lines. We believe that the leverage provided by these higher sales volumes, together with our continued operating efficiency, will further drive higher earnings. We are implementing a number of strategic initiatives to deliver top-line growth:

- We continue to invest in new product development in targeted product lines, with an objective of maintaining our R&D spending at 9-10% of sales. In particular, we are concentrating on developing the next generation of light sources.
- Our Integrated Solutions Business, formed late last year, will continue to develop customer solutions that combine leading-edge laser, optical, mechanical and precision motion technologies into system and subsystem solutions for challenging photonics applications.
- We will continue to increase our geographic reach, as we expand our customer base in Europe, Japan and Southeast Asia. In addition, we will develop our business in other regions of the world through our broad direct sales presence and other distribution channels.
- Over time, we expect to supplement these efforts by making small, technology-driven acquisitions that fill gaps in our product lines or add new technologies or customer groups.

I want to compliment our employees on the spirit and diligence with which they accomplished the integration of Newport and Spectra-Physics last year. I am confident that as a team we can perform at an equally high level as we pursue our strategic goals for 2006.



A handwritten signature in black ink, appearing to read "Bob Deuster", written in a cursive style.

Robert G. Deuster
*Chairman and
Chief Executive Officer*

GROWING SHARE IN THE SCIENTIFIC RESEARCH MARKET



The scientific research market we serve is approximately \$800 million and is growing about 3-4% per year. Sales into the scientific research market (including defense-related research) represented 38% of our total sales in 2005. We grew our sales to this market in 2005 at a rate slightly higher than the growth of the overall market, as our comprehensive, total-solutions selling strategy gained increased traction with scientific research customers.

MORE THAN 40,000 RESEARCH CUSTOMERS RELY ON NEWPORT

Newport is the world's leading integrated supplier of the photonics technologies used in laboratories operated by universities, government research organizations and corporations. More than 40,000 research customers worldwide employ Newport's light source, light management and light measurement products to achieve research breakthroughs in fields such as spectroscopy, ultrafast terahertz imaging, microscopy, ultrafast laser science, nanophotonics, nuclear fusion and many others.

Newport's portfolio of products used to set up state-of-the-art laboratories is unmatched in the photonics industry. Our catalog of 15,000 industry-leading products includes lasers, high-precision motion systems, vibration isolation tables, optics, opto-mechanical components, spectrometers, monochromators, optical meters, diffraction and holographic gratings, crystals, optical filters, coatings and related components.

Our catalog is also available on the Newport web site (www.newport.com). Customers can access this "photonics superstore" anywhere in the world at any time of the day or night to search for products that meet their specifications. We now have over 250,000 unique visitors accessing over 4,000,000 page views of our products on average every quarter. Our volume of online orders has accelerated in recent years as our customers have increasingly taken advantage of this convenient way to locate and purchase standard products that fulfill their immediate needs.

SERVING AEROSPACE, DEFENSE AND SECURITY MARKETS

The drive for more technologically advanced weapons and sensors is producing increased investment in photonics for aerospace, defense and security applications. Corporate and government research laboratories are developing light-based technologies that can remotely, rapidly and



Spectra-Physics makes a wide range of nanosecond-pulsed lasers for the scientific and research communities. Quanta-Ray® Nd:YAG lasers provide high power and high repetition rates while maintaining the best mode quality available in the industry.

Newport offers total solutions in ultrafast laser research, from lasers and amplifiers to spectrometers, optics and motion controllers, all integrated on an advanced vibration-damping SmartTable.

noninvasively detect threats, improve intelligence gathering, provide secure communications systems and improve the performance of weapons and countermeasures. In addition, innovative optical sensors are augmenting human vision on the battlefield, providing remote sensing, ranging and observation capabilities that offer high-resolution imaging and night vision.

Newport's high-precision products are used by aerospace and defense engineers to develop, assemble, test and calibrate a wide range of weapons and defense systems, including advanced guidance, sensor and satellite tracking systems. Precision optical systems and fast-steering mirrors manufactured by Newport are two examples of products our customers use to support state-of-the-art defense programs. The company also provides semiconductor laser pump engines and components for high-power laser weapons being developed by major defense contractors.

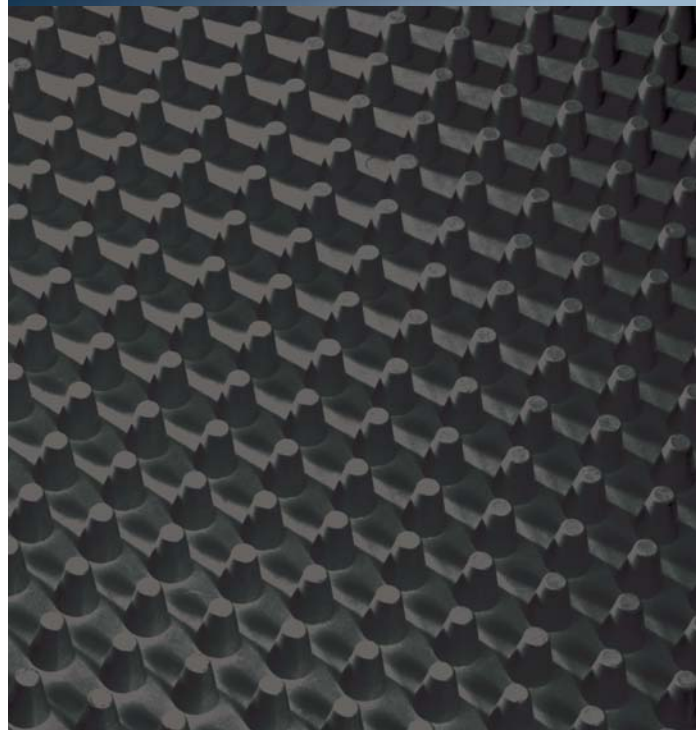
TECHNOLOGY APPLICATIONS LABORATORY DEMONSTRATES POSSIBILITIES

Newport has a Technology Applications Laboratory at its Irvine, California, facility that develops leading-edge research applications and techniques utilizing our industry-leading portfolio of lasers and related products. The Applications Laboratory shows researchers ways to design extremely complex experiments that generate meaningful data more easily, quickly and cost-effectively using applications packages developed by Newport.

The initial focus of the Applications Laboratory is on the use of ultrafast and diode-pumped solid-state lasers, demonstrating their promise in applications in fields of research such as chemistry, biophotonics, materials science, and life and health sciences. Up to eight experiments in areas such as interferometry, spectroscopy, photometry, fiber optics, radiometry, fluorescence and ultrafast laser applications can be conducted at the same time. Whether scientists are pursuing breakthroughs in basic research or transitioning discoveries from the laboratory environment to commercial applications, this laboratory can demonstrate how Newport's expertise and solutions, working together, can help to maximize their success.

Newport produces an extremely versatile line of optical meters for applications requiring measurement of low power, high power and energy from continuous or pulsed light sources.

A Technology Applications Laboratory in Irvine, California, allows the company to demonstrate the range of extremely complex experiments that can be performed using Newport technologies.



CREATING INTEGRATED SOLUTIONS FOR OEM CUSTOMERS



In commercial markets such as microelectronics manufacturing and life and health sciences, photonics technology is replacing many electrical, mechanical and chemical processes in use today at a breathtaking rate. This rapid pace is being driven by increasingly demanding application requirements, such as shrinking feature sizes in microelectronics, miniaturization of mechanical components, display and reproduction of higher-resolution images, exploration and manipulation of subcellular and other biological structures, noninvasive examination of tissues and diagnosis of conditions, and applications that improve the quality of life for an aging population, such as vision and skin therapies.

As lasers continue to evolve and deliver higher power in smaller packages, we expect photonics technology to be adopted more broadly, particularly in micro-machining and biological applications. The next generations of lasers will use more advanced materials and amplification methods to achieve even higher levels of performance. As a result, the number of applications Newport serves will increase as we develop and introduce smaller, faster, more powerful, more flexible and more reliable light sources and subsystems.

A DEDICATED INTEGRATED SOLUTIONS BUSINESS

As application demands continue to increase, particularly in the microelectronics, life and health sciences, and industrial markets, technological advances are being rapidly transitioned from the research lab into commercial products. With our broad portfolio of best-in-class products and technologies and extensive integration expertise, Newport is uniquely positioned to help our Original Equipment Manufacturer (OEM) customers incorporate photonics advances into their products. Newport combines our latest technologies into systems that are designed specifically for customers' unique applications. Sales of integrated systems to OEM customers represent the fastest-growing part of Newport's business.

To further enhance our focus on this important growth opportunity, in 2005 the company formed an Integrated Solutions Business. This business uses our comprehensive design and integration expertise to generate new technology platforms using Newport photonics products and Spectra-Physics light sources. The initiative will develop new generations of products that make it even easier for our customers to create high-performance light-based systems.

Newport has developed an integrated subsystem for a major life and health sciences instrumentation maker. The system features a laser with optical and motion control components and is an integral part of a compact bioanalyzer that combines bead-based assays and cellular analysis in a single platform.

The company designs and makes integrated optical subassemblies for semiconductor manufacturing applications.



A WIDE RANGE OF SOLUTIONS FOR MICROELECTRONICS MARKETS

The market for the products we provide for microelectronics manufacturing equipment is about \$1.5 billion per year and is expected to grow to approximately \$2 billion per year by 2008. This equipment includes semiconductor manufacturing equipment, back-end chip packaging systems, memory repair systems, flat panel display manufacturing equipment and other microelectronics manufacturing tools.

Newport's 2005 sales to microelectronics customers were up 4% compared with what they would have been in 2004 had Newport and Spectra-Physics been combined for all of that year, despite being in an environment where the front-end semiconductor portion of the market was down for the year. We were able to offset this weakness in the front-end semiconductor market with gains in the computer peripherals market, and by broadening and diversifying our offerings to this market to enable a number of significant design wins with several major equipment manufacturers. Last year, sales to microelectronics customers accounted for approximately 28% of Newport's sales.

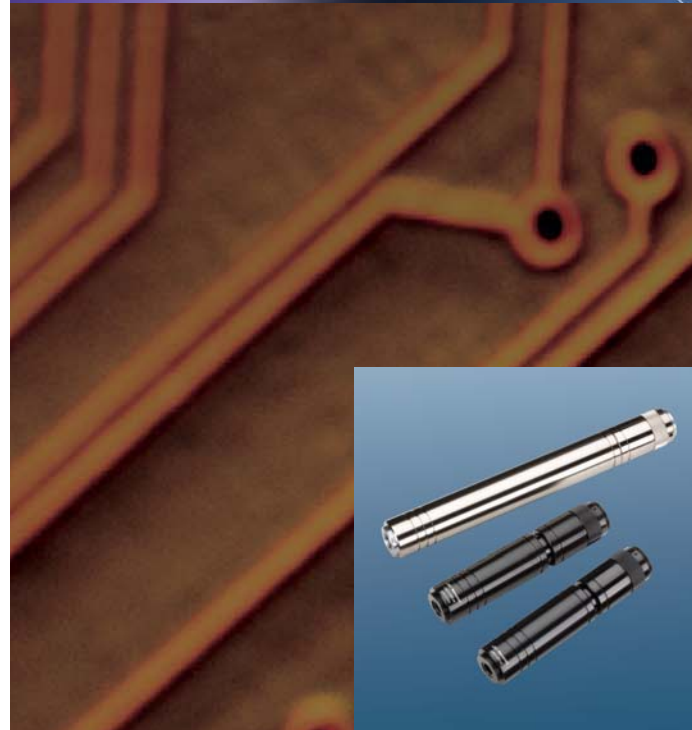
A BROAD ARRAY OF PRODUCTS FOR SEMICONDUCTOR MANUFACTURING

With nearly 40 years of experience and a broad array of high-precision technologies, Newport is able to offer solutions that increase the capabilities and productivity of multiple semiconductor manufacturing processes, from the chip level to final packaging and testing. In addition to lasers for semiconductor manufacturing operations, Newport provides a wide range of advanced motion control equipment, optical systems and vibration isolation solutions to the semiconductor equipment market.

The company also supplies capital equipment for advanced back-end packaging applications, offering a full line of die bonding and epoxy dispensing systems. Modifications to device fixturing and to the packaging and test software used in these systems enable the customization of our systems to meet our customers' specific requirements.

The significant microelectronics markets Newport serves include wafer inspection and metrology, memory repair, circuit trimming, via-hole drilling, and applications for computer peripherals such as disk drives and laser annealing for the production of flat panel displays.

Newport supplies microelectronics and semiconductor manufacturing customers with an exceptional array of products including high-power lasers for semiconductor metrology; ultraviolet and near-infrared refractive beam shapers for high-energy pulsed and continuous-wave laser applications; and ultra-high-resolution actuators for remote control of manual positioning stages and opto-mechanical components with nanometer-level accuracy.



NEW TECHNOLOGIES DRIVE LIFE AND HEALTH SCIENCES MARKETS



Customers in the life and health sciences market are some of the fastest-growing users of light technologies, rapidly adopting photonics technology in three growth areas – diagnostics, therapeutics and aesthetics. OEMs are increasingly discovering the advantages photonics technologies offer over previous technologies, and are developing new applications using different wavelengths of light. The market we participate in is expected to grow from about \$600 million today to \$800 million by 2008.

Newport's sales to customers in life and health sciences markets represented 15% of our total sales in 2005. Customers use our solutions for a wide range of biophotonics applications that include multi-photon microscopy, optical tomography, flow cytometry, microdissection, bio-chip and lab-on-a-chip technologies, the spectral analysis of biomedical materials, DNA sequencing, cell counting, blood analysis, cosmetic surgery and hair removal, among many others.

USES FOR LIGHT ENGINES ARE EXPANDING RAPIDLY

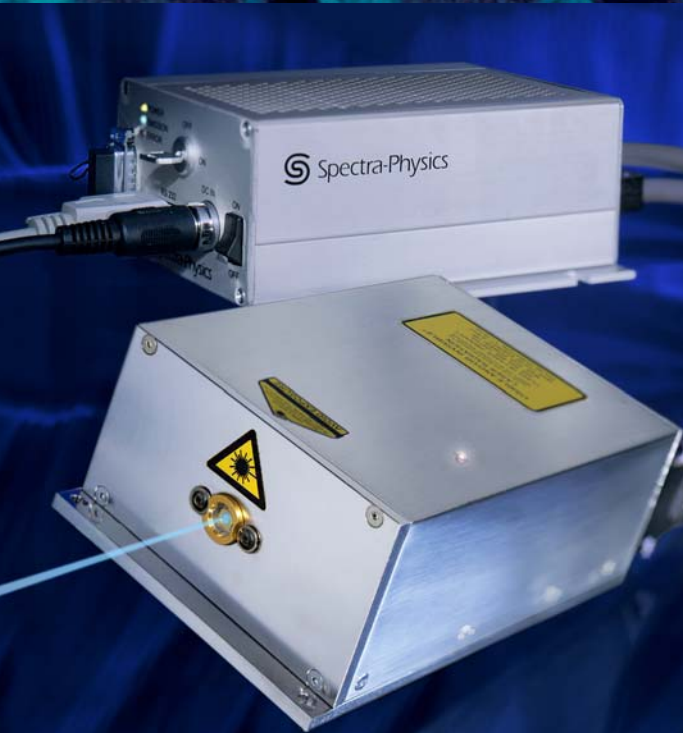
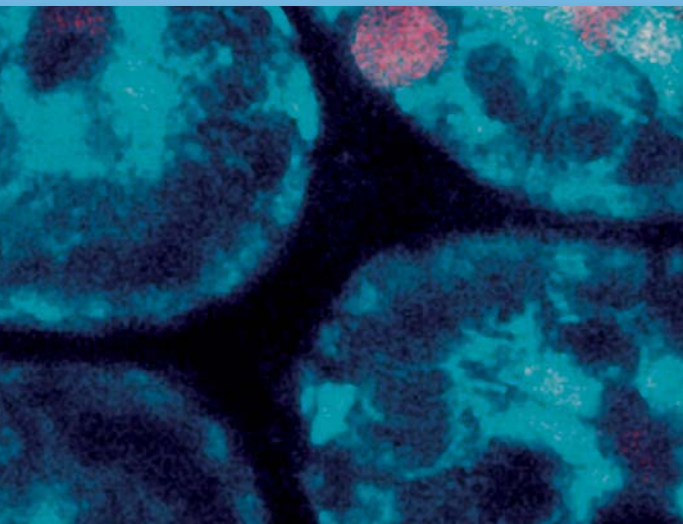
Advances are being made in discovering that different elements in the human body react in unique ways to certain wavelengths of light. Lasers allow medical scientists to view processes at the subcellular level they could not see before. For the first time, scientists and doctors can examine metabolic changes taking place within cells and track the progress of a drug therapy by observing these changes. These advances will open up future applications for diagnostics and therapies as they transition from the laboratory into clinical practice.

As populations around the world age, demand is increasing for lasers that perform cosmetic procedures such as skin treatment, hair removal and plastic surgery, to improve individuals' appearance and quality of life. Newport supplies components and subsystems to a diverse group of companies that are manufacturing systems for this expanding market.

Newport is focused on an aggressive R&D program in life and health sciences, developing new products and filling gaps in existing product lines. In particular, we are expanding our laser technology portfolio to create a much stronger light source product offering for markets Newport already serves as well as profitable and growing new markets.

Ultrafast titanium-sapphire lasers are produced for life sciences applications ranging from general spectroscopy to multiphoton microscopy, which requires efficient, simultaneous use of multiple microscopes.

Innovative, low-power, ultraviolet lasers are purchased by OEM customers. These reliable diode-pumped solid-state lasers are an ideal solution for bioinstrumentation applications such as mass spectrometry of fragile biopolymers like proteins, peptides and sugarchains, and laser microdissection of cells and other structures with nanometer-level precision.



PHOTONICS ENABLING ADVANCES IN INDUSTRIAL MARKETS

For nearly 40 years, Newport has designed and manufactured the highest-performing technology and solutions for OEMs and industrial manufacturers worldwide. We bring together expertise in a number of core technologies and extensive application knowledge to create products and services that offer high uptime, high throughput, small footprints and low cost of operation.

The market for industrial lasers is large, with about \$1.8 billion in annual sales. We estimate that this market will grow to \$2 billion by 2008. Newport does not produce the high-power CO₂ and Excimer lasers that serve mainstream industrial-machining applications. Newport's lasers and components are used in high-finesse industrial applications such as micro-machining, micro-manipulation, rapid prototyping, reprographics, image-recording plates and graphics displays, processes that require lasers with high pulse rates, precise pulse widths, high beam quality and unique wavelengths of light.

Sales to the selected industrial markets we serve were up 7% last year and reached 19% of total company sales. We are pleased with our sales trajectory in these markets and expect additional growth in the future.

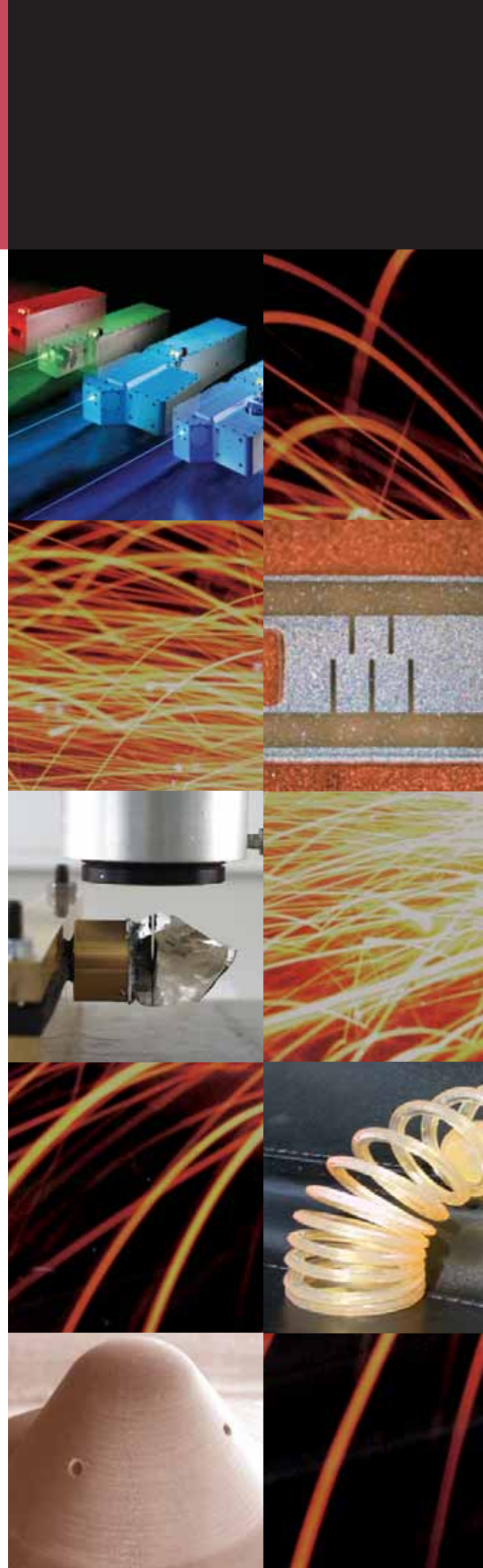
WHEN LIGHT IS THE ONLY SOLUTION

The formation and trimming of plastics and some types of metal can best be done cleanly and precisely using light technology. High-precision drilling for specialty industrial tools and the production of complex machining patterns for cardiovascular stents are two examples of laser machining that is virtually impossible to duplicate with mechanical methods. Manufacturers can now achieve much finer and more precise cuts using different wavelengths and higher laser pulse speeds.

An important application for photonics in the industrial arena is commercial printing, where Newport's diode lasers are used in the process of plate making, transferring digital data onto a printing plate so it can be printed. The explosion in demand for high-definition televisions drives another industrial application Newport serves, providing lasers that anneal materials onto glass plates to form LCD and plasma screens.

More than at any time in the past, the promise of photonics in industry is being realized as the light engine's role expands from a research tool and heavy-duty machining device to an enabling technology in a broad range of industrial processes.

Newport produces a family of high-performance lasers for precision materials processing. They are characterized by extremely high peak power, exceptional pulse-to-pulse stability, and excellent beam quality in infrared, visible and UV wavelengths. Newport's industrial lasers are used in high-finesse applications such as resistor trimming, diamond cutting, stereolithography and precision machining.



CORPORATE INFORMATION

CORPORATE HEADQUARTERS

Newport Corporation
1791 Deere Avenue
Irvine, California 92606
949-863-3144

ANNUAL MEETING

Stockholders are cordially invited to attend our 2006 Annual Meeting of Stockholders to be held at 9:00 AM Pacific Time, Wednesday, May 17, 2006, at our corporate headquarters.

INVESTOR RELATIONS

We welcome inquiries from our stockholders and other interested parties. We maintain a special investor relations section on our web site, www.newport.com/investors, through which investors can access our news reports, SEC filings and financial information and keep apprised of upcoming company events. We also offer a direct mailing service to assure that stockholders whose stock is not held in their own names, and other interested persons, can receive annual reports and other information upon request.

If you would like your name to be added to a mailing list or would like to receive information via e-mail, please contact:

Investor Relations
Newport Corporation
P.O. Box 19607
Irvine, California 92623-9607
Telephone: 949-863-3144
Fax: 949-224-0587
E-mail: investor@newport.com

TRANSFER AGENT AND REGISTRAR

Our common stock is traded on the Nasdaq National Market under the symbol NEWP. As of December 31, 2005, the company had 1,132 common stockholders of record.

Questions about stockholder accounts, including transfer of securities, should be directed to:

Wells Fargo Bank, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, Minnesota 55075-1139
800-468-9716

Stock certificates should be safeguarded. Replacement requires payment of a surety bond premium. If a stock certificate is lost, stolen or destroyed, notify Wells Fargo Bank, N.A. Registered mail should be used whenever stock certificates are mailed.

LEGAL COUNSEL

Stradling Yocca Carlson & Rauth
660 Newport Center Drive
Suite 1600
Newport Beach, California 92660

INDEPENDENT AUDITORS

Ernst & Young LLP
18111 Von Karman Avenue
Suite 1000
Irvine, California 92612

PRODUCT INFORMATION

For information about our products and services, you may access our web site at www.newport.com, or call customer service at 800-222-6440.

DIRECTORS, COMMITTEES OF THE BOARD AND OFFICERS

DIRECTORS

R. Jack Aplin^{2(C)}
Independent Investor

Robert G. Deuster
*Chairman and Chief Executive Officer
Newport Corporation*

Robert L. Guyett^{1(C), 3}
*President and Chief Executive Officer
Crescent Management Enterprises, LLC*

Michael T. O'Neill^{2, 3}
*President and Chief Executive Officer
Miragene, Inc.*

C. Kumar N. Patel¹
*Professor of Physics and Astronomy
University of California, Los Angeles
Chairman and Chief Executive Officer
Pranalytica, Inc.*

Kenneth F. Potashner^{2, 3(C)}
Independent Investor

Richard E. Schmidt
Independent Investor

Peter J. Simone¹
Venture Capital Consultant

OFFICERS

Robert G. Deuster
Chairman and Chief Executive Officer

Robert J. Phillippy
President and Chief Operating Officer

Charles F. Cargile
*Senior Vice President, Chief Financial
Officer and Treasurer*

Jeffrey B. Coyne
*Senior Vice President, General Counsel
and Corporate Secretary*

Bruce B. Craig
*Vice President and General Manager
Spectra-Physics Lasers Division*

Alain Danielo
*Vice President and General Manager
Photonics and Precision Technologies
Division*

Gary J. Spiegel
*Vice President
Worldwide Sales and Service*

COMMITTEES OF THE BOARD

¹*Audit*

²*Compensation*

³*Corporate Governance and Nominating*

^(C)*Chairman*



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