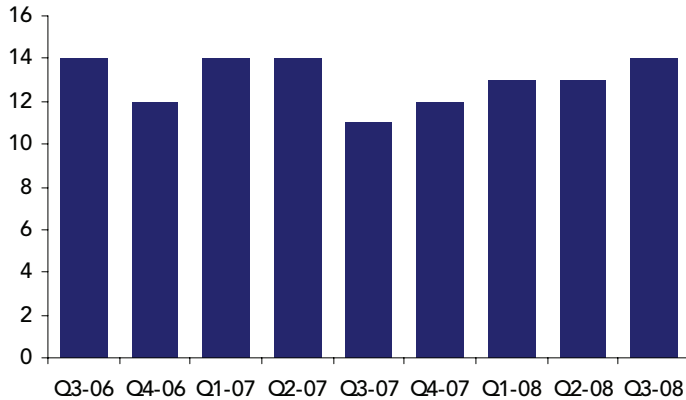
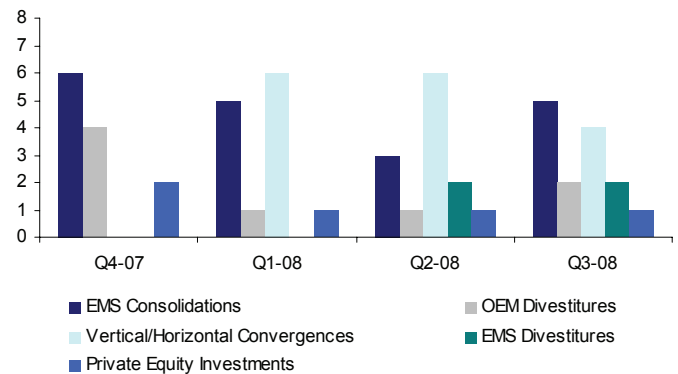


# Q3-2008 Deal Volume Comparison

**Chart A: Completed EMS Transactions**

**Chart B: Quarter Comparison—EMS M&A by Deal Type**


## Announcements

- Kimball Electronics, Inc. has acquired Genesis Electronics Manufacturing, Inc. (September-08)
- Elcoteq SE (HLSE:ELQAV) has acquired the flat panel TV plant in Mexico of Koninklijke Philips Electronics NV (September-08)
- Creation Technologies Inc. has acquired Circuit Service (September-08)
- RAD Technologies LLC has sold Astrex Electronics Inc. (September-08)

## Q3 2008 Summary

There were 14 completed transactions in Q3 2008. As displayed in Chart A, the 14 transactions show a gradual upward M&A trend as compared to the previous quarter and compared to Q3 2007.

As shown in Chart B, EMS consolidations represented five transactions, or 36% of total activity in Q3 2008, up from three transactions in Q2 2008. There were two OEM divestitures in Q3 2008 up from one in Q2 2008. Accordingly, as a percentage of total transactions, OEM divestitures were 14% in Q3 2008 compared to 8% in Q2 2008. Vertical horizontal decreased to four transactions in Q3 2008 from five in Q2 2008, representing 29% and 46% of total transactions, respectively. There were also two EMS divestitures in Q3 2008, 14% of total transactions, equivalent to the level of the previous quarter. In addition, there was one Private Equity Investment in Q3 2008.

As illustrated in Chart C, one deal in Q3 2008 was cross-border; down from two in the previous quarter. The transaction was between high and low cost geographies. For Q3 2008, seven transactions occurred within the U.S./Canada region compared to four transactions in Q2 2008. Five of the closed transactions in Q3 2008 occurred within Western Europe (36% of total) and one was reported from within Asia, compared to six and one, respectively, in Q2 2008.

As shown in Chart D, transactions by size for the quarter were led by the Micro Tier, totaling ten, or approximately 71%, of all transactions. There were two transactions (14% of total) in the Mid Tier. Large and Small Tier EMS providers each closed one transaction.

## EMS Size Guide

(Sales Dollars)

### Large (Tier I)

Greater than \$3 billion

### Mid (Tier II)

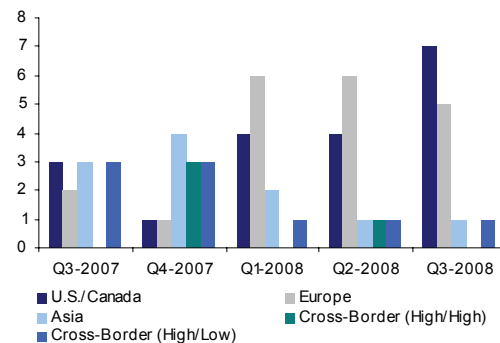
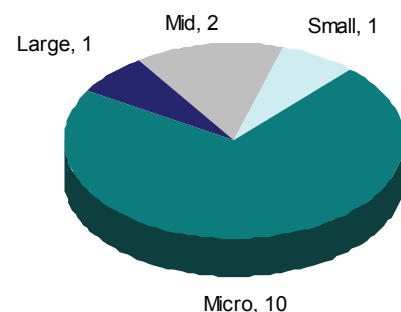
\$400 million to \$3 billion

### Small (Tier III)

\$100 million to \$400 million

### Micro (Tier IV)

Below \$100 million

**Chart C: Quarter Comparison—EMS M&A**

**Chart D: Q3 2008 Mergers and Acquisitions by Size**


Sources: All information contained in this newsletter including the charts was obtained from company websites, Custer Reports, Lincoln International's internal data and Manufacturing Market Insider.

Note: "High/High" indicates cross-border transactions between Japan, Taiwan, Western Europe and U.S./Canada; "High/Low" indicates cross-border transactions between high-cost regions and low-cost regions.

## An Analysis of Growth Trends Affecting the EMS Industry

The EMS industry had its highest revenue performance during 2007 than any year in its history, outpacing the record year of 2006. Growth continued through the first half of 2008, as the 20 largest publicly traded EMS providers in the world produced a sales increase of 16.6% versus the year-earlier period.

The growth outlook for the EMS industry continues to be geographically unbalanced. According to Electronic Trend Publications, from 2007 to 2012, Asia is expected to grow at a CAGR of 17.2% and account for over 71% of the EMS market by 2012, as compared to 4.9% annual growth for North America and 7.5% annual growth for Europe. The rest of the world is expected to grow at a 11.6% CAGR over the same period. The key region in the Asian market continues to be China, accounting for approximately 60% of the EMS production in Asia, and together with Taiwan representing 46% of worldwide production. By 2012 China is expected to account for 76% of all EMS output in Asia and 54% worldwide. The Chinese government continues to provide significant incentives including tax credits, land grants, low import duties, among other advantages, which are fueling the Chinese EMS market. In addition, full private equity ownership of EMS operations is now possible and is beginning to become more popular.

As shown in Chart E, overall EMS revenue during the last 12 months (LTM) has flattened, with only Large EMS companies showing significant growth. Large EMS providers grew 18.8% on an LTM2008 basis versus 14.7% in CY2007. Revenue began to decline in the Mid Tier with LTM2008 revenue dropping 0.4%. Small Tier EMS company LTM2008 revenues grew 6.8% versus 4.6% in CY2007. The Micro Tier providers growth has slowed significantly to only 1.3% in LTM2008,

Chart E: Year-Over-Year Revenue Growth by Tier

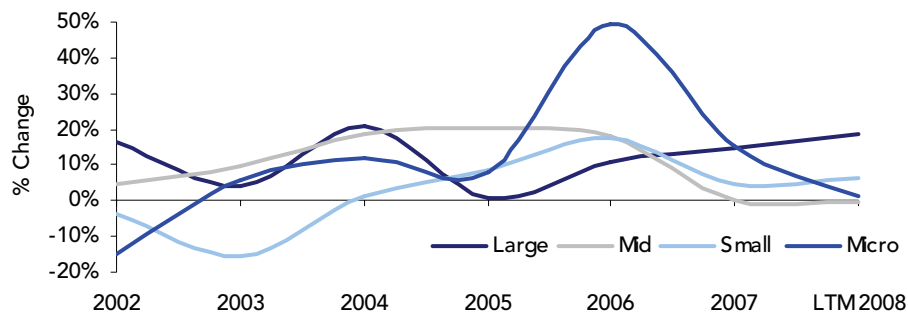


Table F: Global EMS Market by Industry, Source: Electronic Trend Publications

	2007		2012		CAGR
	Revenue (\$M)	%	Revenue (\$M)	%	
Automotive	\$ 5,827	2.2%	\$ 8,618	1.7%	8.1%
Communications	78,240	29.9%	163,937	33.3%	15.9%
Computer	92,099	35.2%	172,572	35.0%	13.4%
Consumer	44,795	17.1%	84,418	17.1%	13.5%
Defense/Aerospace/Other Trans.	9,787	3.7%	14,604	3.0%	8.3%
Industrial	18,105	6.9%	26,682	5.4%	8.1%
Medical	12,444	4.8%	21,928	4.5%	12.0%
<b>Total</b>	<b>\$ 261,297</b>	<b>100.0%</b>	<b>\$ 492,759</b>	<b>100.0%</b>	<b>13.5%</b>

short of their CY2007 performance of 15.6%.

Longer term growth in the EMS industry will continue to be driven by end markets. In regards to long term growth, communications continues to be the end market that offers the most significant upside potential. This end market is expected to grow at a CAGR of 15.9% from 2007 to 2012. The consumer sector is also expected to show strong growth with forecasts showing a CAGR of 13.5% over the next five years. Also showing double digit growth are the computer and medical industries with expected CAGRs of 13.4% and 12.0% through 2012. From 2007 to 2012, the annual growth rates for the

automotive, defense and industrial end markets are expected to be around 8% annually. Overall, the global EMS market is expected to grow 13.5% annually from a \$261 billion market in 2007 to a \$492 billion market in 2012.

Growth prospects in the EMS industry remain positive over the long term. Short term, however, the recent financial crisis and potential recessionary fall out may temporarily decrease the industry's overall growth. This financial situation is having worldwide effects, and consequently governments are taking swift action. The effectiveness of these actions on curtailing the economic slowdown is uncertain.

## About Lincoln International

Lincoln International specializes in merger and acquisition services, debt advisory services, UK pension advisory services and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, Tokyo and Vienna, and strategic partnerships with China Everbright in China and ICICI Securities, Inc. in India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com)

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Lincoln International's Electronics Group is led by a former CEO of a public EMS company and a former leading Wall Street analyst covering the electronics industry. The firm's Electronics team provides transactional, financial and strategic advisory services to electronics companies and private equity groups.

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