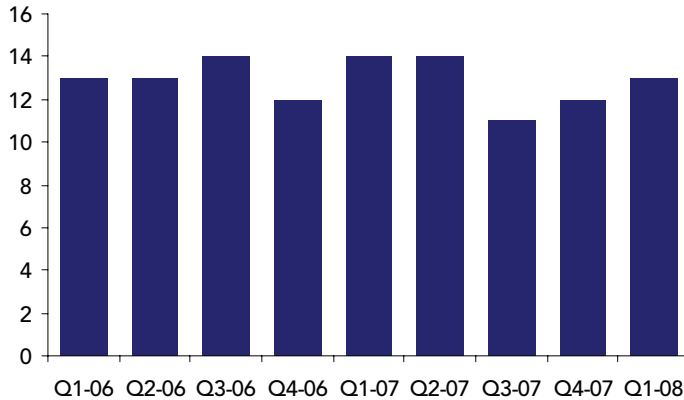
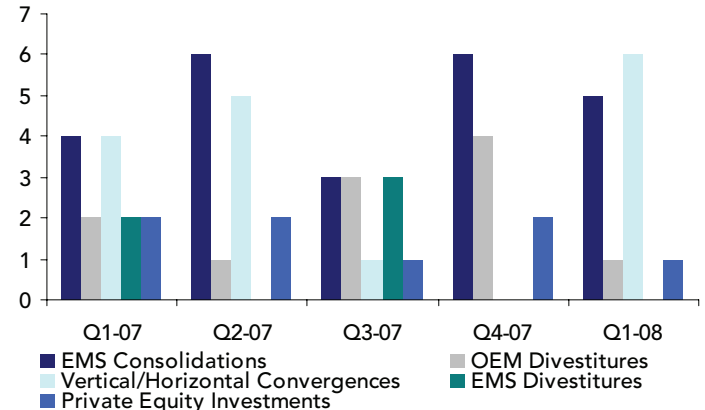


Q1 2008 Deal Volume Comparison

Chart A: Completed EMS Transactions

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


Announcements

- Flextronics International GmbH is acquiring Elcoteq JSC, a Russian EMS subsidiary of Elcoteq SE (HLSE:ELQAV) (Pending)
- Foxteq Holdings Inc., a subsidiary of Hon Hai Precision Co. Ltd. (TSEC:2317) is acquiring certain assets of Sanmina-SCI's computer manufacturing services (Pending)
- CTS Corporation (NYSE:CTS) acquired Orion Manufacturing Inc., a Silicon Valley EMS provider (March-08)
- The French EMS company Asteel acquired the UK-based MRP Electronics (February-08)
- Flextronics International Ltd. (NasdaqNM:FLEX) acquired Avail Medical Products (January-08)

As shown in Chart A above, there were 13 completed transactions in the first quarter of 2008, compared to 12 in the last quarter and 14 in the first quarter of 2007.

As illustrated in Chart B above, EMS consolidations decreased from six transactions in the last quarter of 2007, or 50% of transactions, to five transactions in this quarter, or 38% of transactions.

OEM divestitures decreased from four in the last quarter to one in the first quarter of 2008. OEM divestitures represented 8% of total transactions.

EMS divestitures were steady with no transactions in the first quarter of 2008 as well as the last quarter of 2007.¹

In Q1 2008 there was one transaction that was included in the private equity investment category compared to two in Q4 2007. Private equity investments represented 8% of total transactions in Q1 2008.

As displayed below in Chart C, only 8% of the deals in Q1 2008 were cross border, the lowest percentage in over two years. Within this category,

the only transaction was between a high-cost region and a low-cost region. In comparison, three of the transactions in Q4 2007 were between high-cost regions and three were from high-cost regions to low-cost regions. For Q1 2008, four transactions occurred within the U.S./Canada region compared to one in Q4 2007. Six of the closed transactions in the first quarter of 2008 occurred within Western Europe, the highest total since we began tracking this data, and two occurred within Asia.

As shown in Chart D, transactions for the quarter were led by the Micro Tier, totaling seven. Large Tier EMS companies closed only one transaction. There were five Mid Tier transactions and no Small Tier transactions.

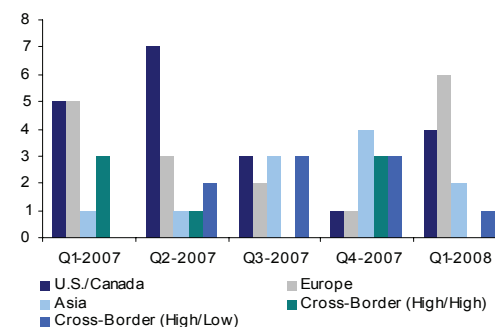
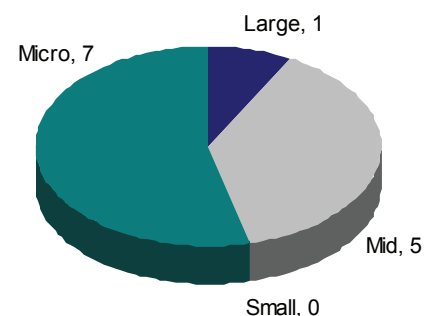
Sources: All information contained in this newsletter including the charts was obtained from company websites, Custer Reports, Lincoln International's internal data, Capital IQ and Manufacturing Market Insider.

¹ Excludes pending transactions.

EMS Size Guide

(Sales Dollars)

- Large (Tier I)**
Greater than \$3 billion
- Mid (Tier II)**
\$300 million to \$3 billion
- Small (Tier III)**
\$150 million to \$300 million
- Micro (Tier IV)**
Below \$150 million

Chart C: Quarter Comparison—EMS M&A by Geography

Chart D: Q1-2008 EMS M&A by Size


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

Terms & Turns

Revisiting the Cash Cycle

The cash cycle is calculated by adding days sales outstanding (DSO) and days inventory outstanding (DIO) and subtracting from this sum days payable outstanding (DPO). The financial statistic is used to measure how quickly a company can turn sales into cash. There are two basic disciplines in managing cash cycle: 1) contractual terms with vendors and customers, and 2) inventory turns, hence "Terms & Turns." Due to the fact that the electronic manufacturing services industry is very material intensive, inventory management is the most important factor in achieving cash cycle improvements.

In the Large Tier, two of the companies' cash cycles improved (fewer days) while three companies' cycles lengthened. Celestica improved 12% to 34.7 days from 39.4 in Q1-2007 due to higher DPO and lower DIO. Sanmina-SCI's cash cycle improved from 42.5 days to 36.5 because of higher DPO and lower DSO. Jabil saw their cash cycle go from 22.2 days to 24.7, 11% higher, due to higher DIO. For the second year, Flextronics' cash cycle lengthened, this year from 13.4 days to 24.7, an 85% increase, because of an increase in both DSO and DIO. Elcoteq's cash cycle increased slightly from 8.5 days to 8.6, a 1% rise, because of slightly higher DIO.

In the Mid Tier, CTS and Nam Tai shortened their cash cycles while Benchmark and Plexus both lengthened theirs. Sypris' cash cycle did not change versus last year. CTS and Nam Tai both increased their DPO and decreased their DSO leading to shorter cash cycles, while Benchmark and Plexus both had higher DSO leading to longer cash cycles. Sypris increased its DIO and had lower DPO which was offset by improved DSO resulting in no change.

The Small Tier also had mixed results. SMTC decreased its cash cycle from 58.5 days in Q1-2007 to 56.4 days in Q1-2008 an improvement of 4% due to lower DIO and higher DPO. LaBarge also lowered its cash cycle because of lower DIO and higher DPO. The cash cycles of Key Tronic, Raven, SigmaTron and Sparton all lengthened due mostly to higher levels of DSO and DIO. As shown in Chart E, the Small Tier had the highest average and the four companies with the longest cycles overall for the third year in a row.

| | Cash Cycle | | | Inventory Turns | | |
|-------------------|-------------|-------------|---------------|-----------------|------------|--------------|
| | Q1-07 | Q1-08 | %chg | Apr-07 | Apr-08 | %chg |
| Large Tier | | | | | | |
| Celestica | 39.4 | 34.7 | -11.8% | 7.4 | 7.7 | 3.9% |
| Elcoteq | 8.5 | 8.6 | 1.4% | 11.6 | 10.7 | -7.5% |
| Flextronics | 13.4 | 24.7 | 84.6% | 8.0 | 6.8 | -14.9% |
| Jabil | 22.2 | 24.7 | 10.9% | 8.7 | 7.7 | -11.4% |
| Sanmina-SCI | 42.5 | 36.5 | -14.1% | 8.4 | 8.0 | -4.6% |
| Mid Tier | | | | | | |
| Benchmark | 57.5 | 64.2 | 11.8% | 6.9 | 6.9 | 0.3% |
| CTS | 50.6 | 47.0 | -7.3% | 8.1 | 8.2 | 1.8% |
| Nam Tai | 7.9 | 5.3 | -33.2% | 25.0 | 21.9 | -12.3% |
| Plexus | 53.8 | 63.5 | 18.0% | 6.4 | 5.4 | -15.2% |
| Sypris Solutions | 56.6 | 56.6 | 0.0% | 5.9 | 5.4 | -8.5% |
| Median | 40.9 | 35.6 | -13.0% | 8.0 | 7.7 | -3.8% |
| Small Tier | | | | | | |
| Key Tronic | 64.5 | 73.4 | 13.8% | 5.4 | 4.8 | -10.6% |
| LaBarge | 124.5 | 120.1 | -3.5% | 3.2 | 3.3 | 2.4% |
| Raven Ind. | 97.6 | 106.0 | 8.6% | 5.8 | 5.4 | -7.0% |
| SigmaTron | 99.0 | 110.1 | 11.3% | 4.3 | 3.6 | -14.2% |
| SMTC | 58.5 | 56.4 | -3.6% | 6.2 | 6.4 | 2.2% |
| Sparton | 106.5 | 108.0 | 1.4% | 4.2 | 3.9 | -7.1% |
| Micro Tier | | | | | | |
| IEC | 59.4 | 50.2 | -15.6% | 7.4 | 8.9 | 19.5% |
| Nortech | 73.8 | 72.6 | -1.6% | 5.8 | 5.8 | 0.8% |
| Simclar | 72.5 | 62.4 | -13.9% | 5.5 | 5.8 | 6.0% |
| Winland | 82.7 | 86.4 | 4.4% | 6.0 | 5.1 | -14.3% |
| Median | 78.3 | 79.9 | 2.1% | 5.7 | 5.3 | -6.8% |

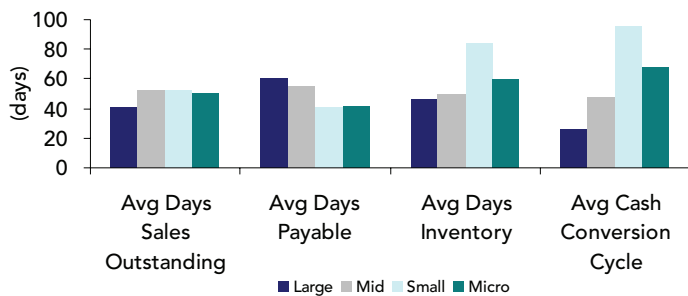
Note: Negative % change for cash cycle denotes improvement.

The Micro Tier had three companies achieve lower cash cycles while one company's increased. The greatest improvement came from IEC who lowered their cycle 16% due to lower DIO and higher DPO. Simclar lowered their cash cycle 14% because of increased inventory turns and lower DIO. Nortech lowered their cash cycle despite lower DPO. Winland's cash cycle increased due to lower inventory turns.

As illustrated above, inventory turnover is the most important cash cycle factor, making up the majority of the cycle. For example, the three companies with the longest cash cycle, LaBarge, SigmaTron and Sparton with cash cycles of 120.1, 110.1 and 108.0, also have the lowest inventory turns with 3.3, 3.6 and 3.9, respectively. Conversely the two companies with the shortest cash cycle, Nam Tai and Elcoteq with cycles of 5.3 and 8.6 have the highest inventory turns of 21.9 and 10.7 respectively. Inventory turns are also impacted by business type. Low volume, high mix products, for which inventory management is more difficult, generally have lower turns.

The cash cycle continues to be a focus for EMS providers due to its significant impact on ROIC and the importance of cash flow for growth.

Chart E: Terms and Turns Comparison



Contact

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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