

# 4Q'05 financials confirm robust global growth

## Some deceleration and bumpy times likely in 2006

As 4Q'05 financial reports are released, we begin to get a good picture of how the end markets performed as 2005 closed. Using quarterly composites of revenue, net income and inventory for representative companies in each sector, it is clear that 2005 finished quite strongly.

Instruments and control equipment (Chart 1) saw sales grow 10% in 4Q'05 vs. the same quarter in 2004. Communications equipment performance was also heartening. The 'top 6' telecom companies (Chart 2) grew almost 11% annually although growth slowed slightly to 9% in the fourth quarter. Wireless-focused companies did the best.

Global mobile phone shipments (Chart 4) were especially robust, with advanced features and demand from developing nations fueling the demand.

Personal computers (Chart 5) also had an excellent year.

Fourth quarter demand was substantial as motherboard makers' revenues (Chart 6) surged. However motherboard demand peaked in November and will likely drop substantially and then flatten through 1H'06.

Using semiconductor shipments to a region as a broad measure of electronic assembly activity, all geographic areas had a good 4Q'05 (Chart 7) although the normal seasonal slowdown was already evident by December. The 3/12 rate of growth (Oct to Dec'05/Oct to Dec'04) (Chart 8) showed SE Asian and N America strong but Europe and Japan contracting at an accelerating rate. Very full factories in Asia probably caused some previously outsourced electronic equipment to temporarily return to N America during the 'fall busy season'.

The EMS industry followed end-market growth. The 'Top 11' world EMS companies (Chart 9) saw 2005 sales up 11% with the more 'nimble'

ones outgrowing the industry. 4Q'05 was especially pleasing as these same companies grew 17% versus the last quarter of 2004 (Chart 10).

2006 is off to a good start. I expect continued growth overlaid with likely disruptive surges caused by the bumpy transition to RoHS compliance.

### General business conditions

Sweden's PCB market is concerned about banning TBBP-A. Price increases due to a switch to more expensive halogen free laminates could hurt local business.

Taiwan CCL makers targeted a 15-20% price rise for February due to record-high copper prices.

A strong 4Q'05 sent worldwide mobile phone shipments over 800 million units in 2005 (Chart 11).

Taiwan handset PCB makers had strong shipments in January. The boom of late 2005 continues due to ongoing 'developing nation' demand.



Jon and Walt Custer

Design competence in China continues to steadily progress as PCB design replaced system design as the most common type of electronics design in the nation in 2005, according to Gartner Dataquest.

### EMServices and related assembly activity

Adcotron EMS (which acquired the assets of Advanced Electronics in Boston) has diverse business strategies. "We will continue to target medical because that's our strength," said CEO Agnes Young. "[But] we will look into other sectors like communications, networking, even consumer products."

#### Asustek

- made an indirect US\$3.5 million investment in Chinese power supply company Enertronix.
- gained government approval to buy Askey for NT\$7.82 billion (US\$245 million). Asustek will issue 72.4 million new shares of its

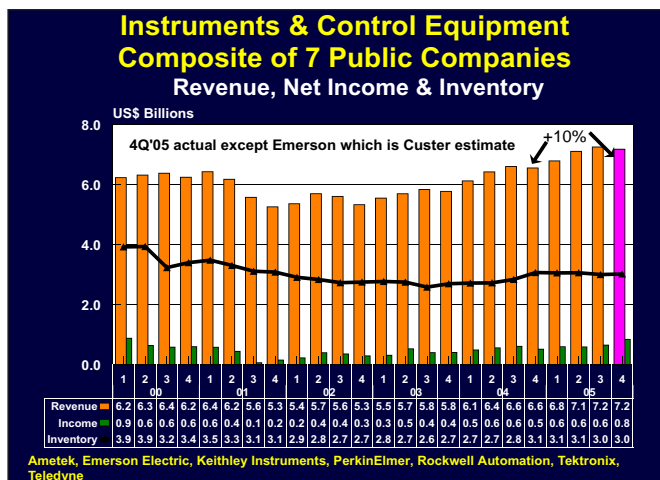


Chart 1.

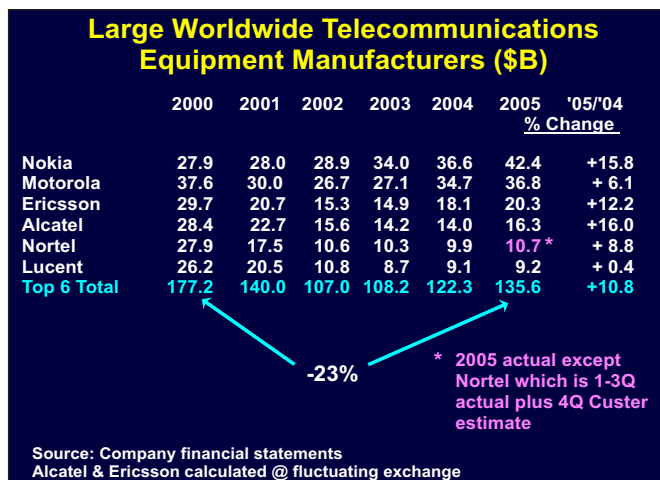


Chart 2.

stock to complete the acquisition.

**Aztech's** new 464,000 SF EMS facility in Dongguan, China began operation.

**Benchmark Electronics** will shut down Meridian Business Park, UK, factory and terminate 150 jobs.

**Celestica**

- appointed James Rowan Exec VP of Worldwide Operations.
- closed its 400-person Mount Pleasant, Iowa, facility with production relocated to sister plants.

**CirTran** signed a financing agreement with Cornell Capital Partners for a \$1.5 million, 5% secured convertible debenture. It will use the net funds of \$1.37 million to fund

tooling for new and existing projects in China and at its home facility in Salt Lake City. **Elitegroup Computer Systems** is considering a second Latin American operations center, possibly in Brazil.

**EPIQ**, a designer and producer of electronic and electromechanical systems and subsystems, will sell Structuplas-Riesselberg NV to ELEX NV, so that it can focus on its CEM business.

**Flextronics**

- bought toy maker Character's digital division group for \$16 million for the goodwill and an additional sum for the closing inventory.
- laid off 13 at its electronics assembling unit in Karlskrona, Southern

Sweden due to an anticipated slowdown of orders.

- will close its factory in Finland and transfer production to Poland resulting in the loss of 100 jobs.

**Foxconn**

- led in patent applications in Taiwan in 2005.
- led the Taiwan IT industry in 2005 with 63% revenue growth
- shipped 40 million motherboards in 2005.

**Jabil Circuit**

- acquired Celetronix, a privately-held, India-based design and manufacturing services company.
- was added to the ArcaEx Tech Index, a benchmark for the U.S. tech sector.

**Jurong Technologies**

incorporated two EMS subsidiaries in Singapore. It now holds 60% interest in Orcom International and 51% interest in I-Blue Digital. **Kimball Electronics** has a 5-year plan to reach \$1 billion in revenue through strategic sourcing, improved efficiency and profitability and increased supplier management.

**Lexmark** is closing its 700-person ink jet printer plant in Rosyth, Scotland. **LG Electronics** India will increase its local sourcing of components for its GSM handsets made in India from the present 20% to 50% by the end of 2006.

**MACK Technologies**

appointed John Whetten

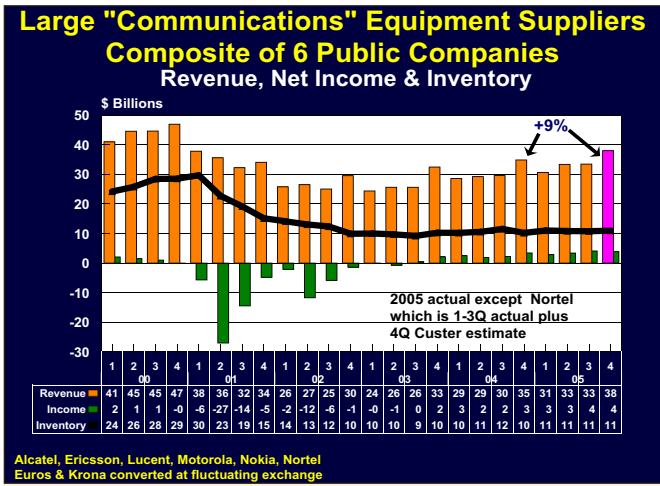


Chart 3.

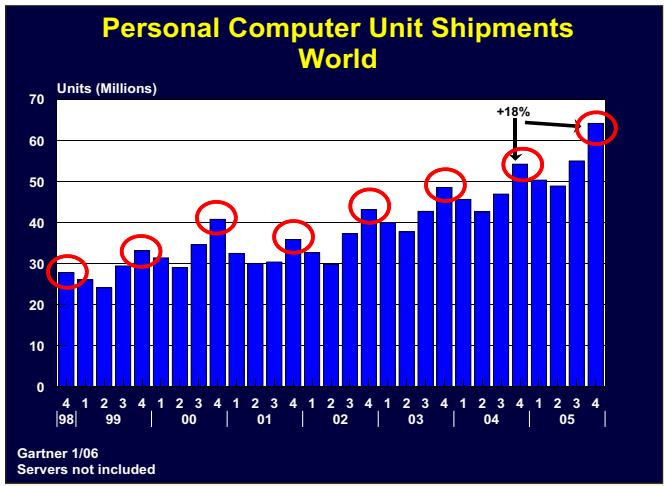


Chart 5.

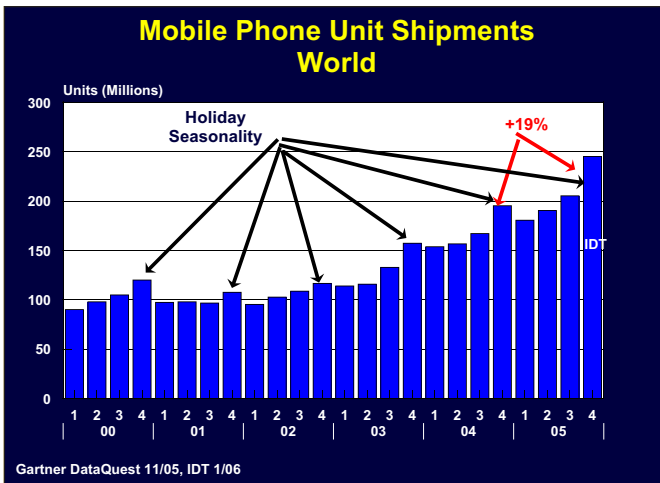


Chart 4.

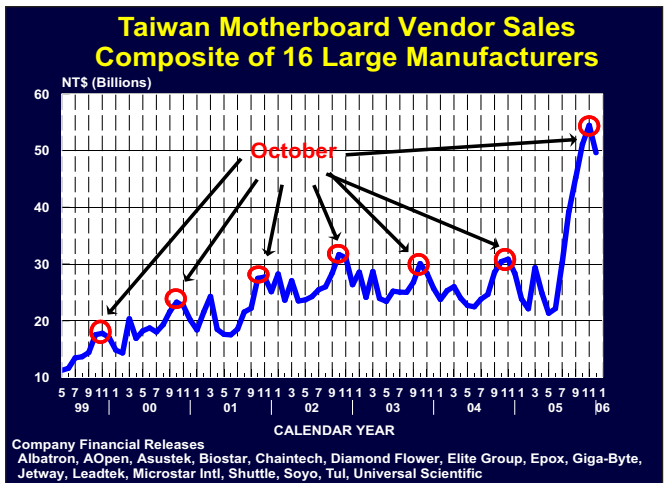


Chart 6.



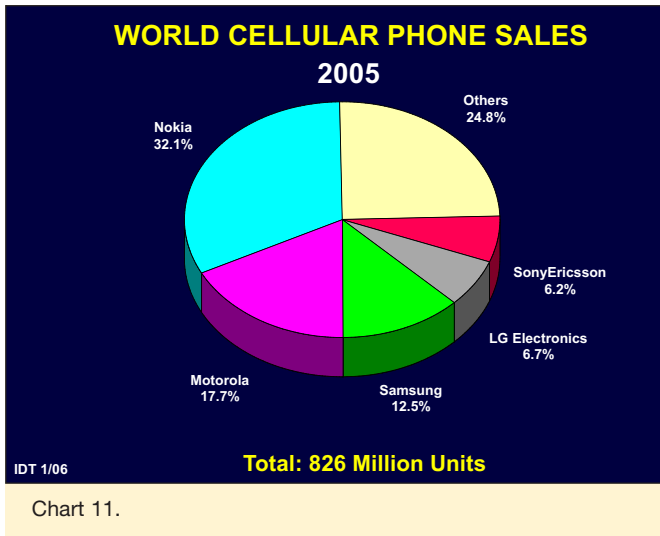


Chart 11.

**Speedline Technologies** are conducting joint research on closed-loop practices for solder paste printing of PCBAs. **Catalyst Manufacturing** is considering global expansion for its PCB reworking business. **CDM Electronics** appointed J. A. T. Electronics as its Canadian representative for its connectors.

**Dover** named David Van Loan CEO of Dover Technologies. **Huntsman**, in late January, was "in serious discussions to be sold for more than \$4.3 billion to Apollo Management LP." **Indium Suzhou** achieved ISO-9001:2000 certification which focuses primarily on quality management.

**Matsushita Electric Works** developed a halogen-free coverlay film (FELIOS) for flex circuits. Volume production will be in Kunshan, China. **Multiline Technology & Multiline International Europa** reorganized into one global organization. Paul Waldner, current Managing Partner of MIE, will focus on global sales of Multiline products as well as the current and future product lines of MIE.

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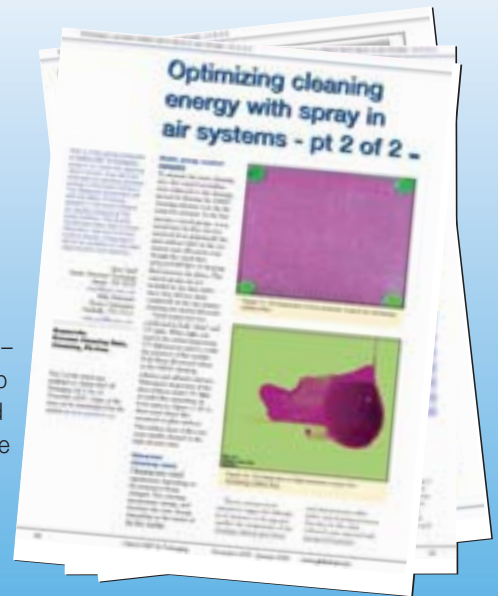
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