International Electronic Component Distribution

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Milan
June 2009

Electronic component distribution

- What is IDEA**?**
- The component distribution markets across the World
- Key action areas

What is IDEA?

The International Distribution of Electronics Association

IDEA was formed in 1987 to encourage international development of our industry World Wide

South Africa UK Russia Italy Australia Germany Sweden Japan USA France

India

IDEA is an "Association of Associations" whose members are the Electronic Component-specific trade associations of many of the major electronic producer nations in the World. Distributor members combined sales in 2008 exceeded $25 billion.

- IDEA hosts meetings to encourage professionalism within the industry

- IDEA encourages benchmarking between member associations

- IDEA publishes regular statistics covering selected member countries

- IDEA's Board meets approx twice a year to share best practises and assist the development of international standards.

- Individuals or companies cannot become members but will automatically benefit as a member of their local Trade Association

•IDEA publishes a newsletter twice a year focusing on international issues within component distribution.

•IDEA's web site is www ideaelectronics.com

•IDEA also encourages competences and professionalism in the emerging markets of Mediterranean and East European Countries.

News from IDEA

FEDERATION
INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

n.01 MARCH 2009

ADEC - SOUTH AFRICA
AFDEC - UNITED KINGDOM
ARDEC - RUSSIA
ASSODEL - ITALY
ECAANZ - AUSTRALIA
ELCINA - INDIA
FBDI - GERMANY
IM - SWEDEN
JEPIA - JAPAN
NEDA - UNITED STATES
SPDEI - FRANCE

A FALLING Q4 ENDED A DECLINING 2008

by Franco Musiari

Fourth quarter has ended and it's time to consider what 2008 has brought to the European electronic community. We could say it in few words: it was "a year to forget about".

The Business Climate continues to worsen

This is not our interpretation but the summary given by the "European Commission Directorate-General for Economic and Financial Affairs" that in its January issue is saying: "The Business Climate indicator (BCI) for the euro area fell again in January, though marginally so, and reached its lowest since January 1985. The latest BCI confirms the expectation that the outcome of the year-on-year industrial production growth for December will also be markedly negative, after the sharp fall recorded in November 2008. The indicator suggests that annual industrial production growth will be clearly negative in January 2009.

Q4 2008 DID NOT BRING ANY GOOD NEWS FOR THE EUROPEAN ELECTRONIC MARKET AND THE GENERAL CLIMATE KEEPS WORSENING

The drop in the BCI reflects a general deterioration in its underlying components; however, the downward development in the components was less dramatic than in the past three months. Managers report a deteriorating production trend and worsening order books. Looking ahead, they expect production to decline even further. On the positive side, the stocks of finished goods component improved somewhat in January".

To support the above sentences the report is accompanied by the Chart 1 that gives a clear impression of the steep drop that both the industrial production and the BCI, that is the anticipator of the former one, have experienced. Going a bit deeper into the data it can be observed that there is no European region that is safe nor a specific sector, apart from retail, that can show better performances. The slump is wide-spread and appears worse in some countries like Italy and France only because the current economic and financial crisis added to an already weak industrial infrastructure.

Disti market has even anticipated the index

As shown by Chart 2 that compares the quarterly results and the YTD (Year to Date) cumulated and the YTD performances for "Total Components/Total IDEA Members", the heaviest decline had begun already in Q1-08. This, compared to Q1 07, was at -8.5%. Q2 had the effect of slightly

MARCH 2009 1

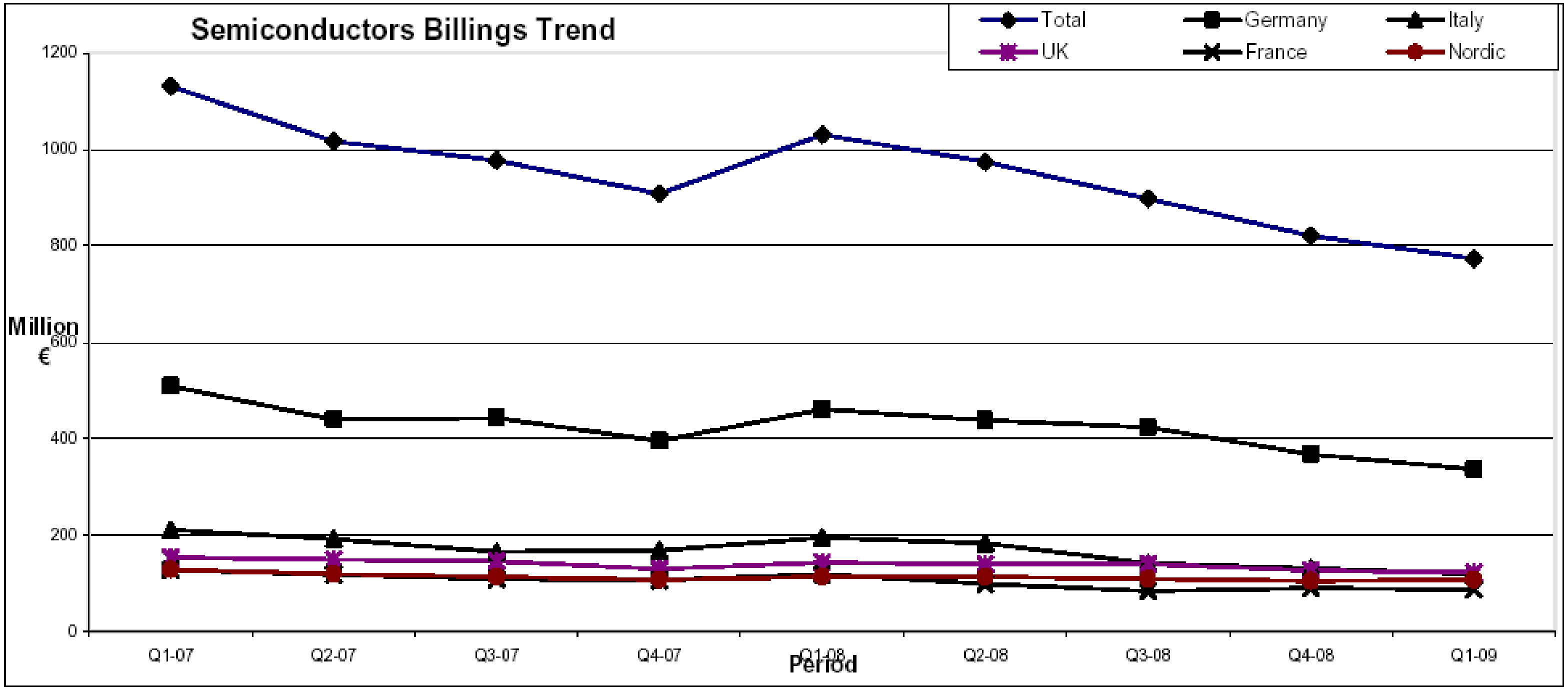
A summary of electronic component market movements by major region. The IDEA statistics are an excellent “bell-weather” for all the electronics industry, they are collected every quarter from hundreds of electronics distributors across the world

IDEA members have combined sales of over $25 billion pa.

European component distribution in Q1 09

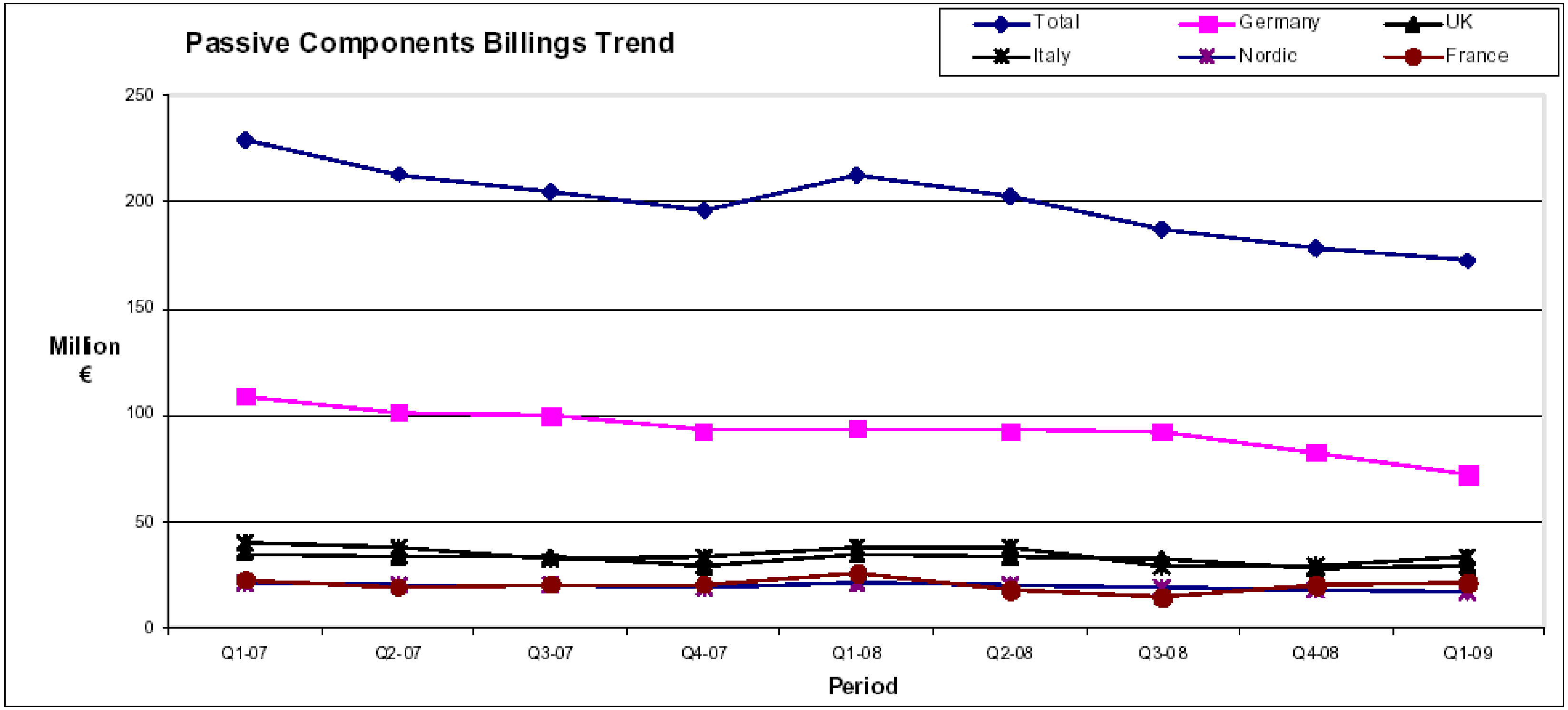
	Growth Q1 09 compared with Q1 08	Growth Q2 08 to Q1 09 compared with Q2 07 to Q1 08
Germany	-25.6%	-10.16%
UK	-12.9%	-5.02%
Italy	-34.5%	-17.91%
France	-12.2%	-19.76%
Nordic	-9.0%	-2.77%

European semiconductor sales through distribution



	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Total	1131	1018	977	908	1031	974	898	821	773
Germany	510	440	443	396	461	438	424	368	337
Italy	212	192	165	169	194	183	142	132	119
UK	154	149	146	130	143	141	140	127	122
France	128	118	109	106	119	100	84	89	88
Nordic	128	119	114	108	114	114	109	106	107

European passive component sales through distribution

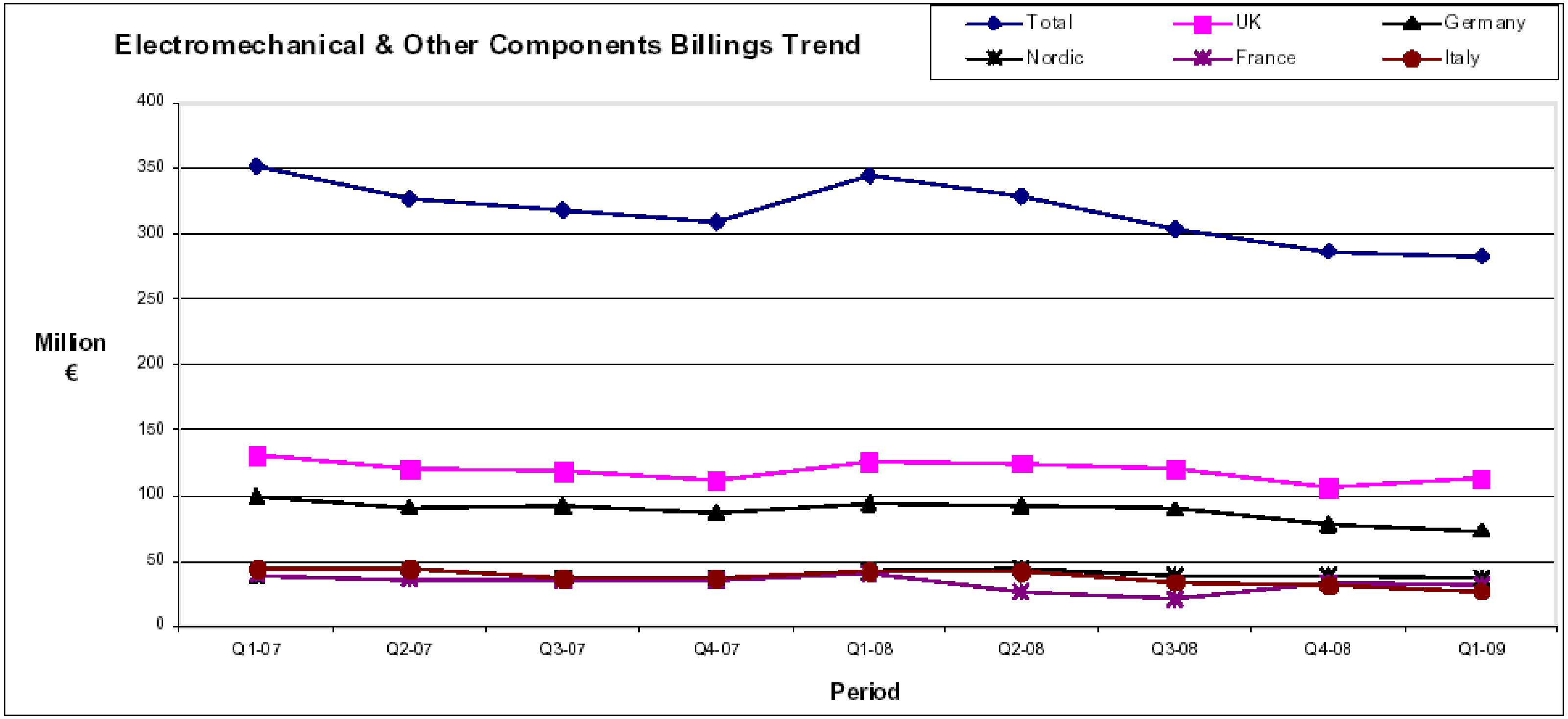


	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Total	229	213	205	196	212	202	187	179	172
Germany	109	101	100	93	93	93	92	82	72
UK	35	34	33	30	34	33	33	28	29
Italy	40	38	32	34	38	38	29	29	34
Nordic	21	20	20	19	21	21	19	18	16
France	23	20	21	21	26	18	15	20	21

IDEA

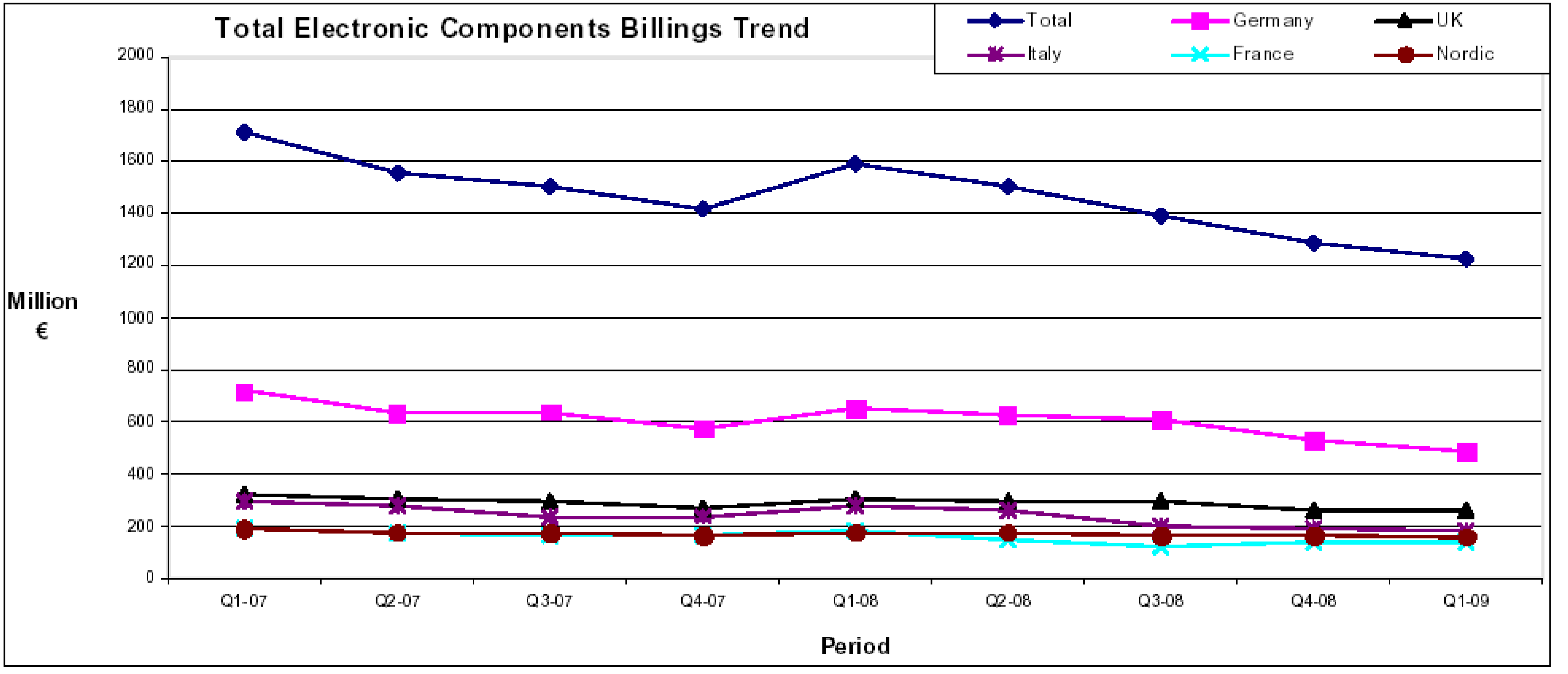
International Distribution of Electronics Association

European electromechanical component sales through distribution



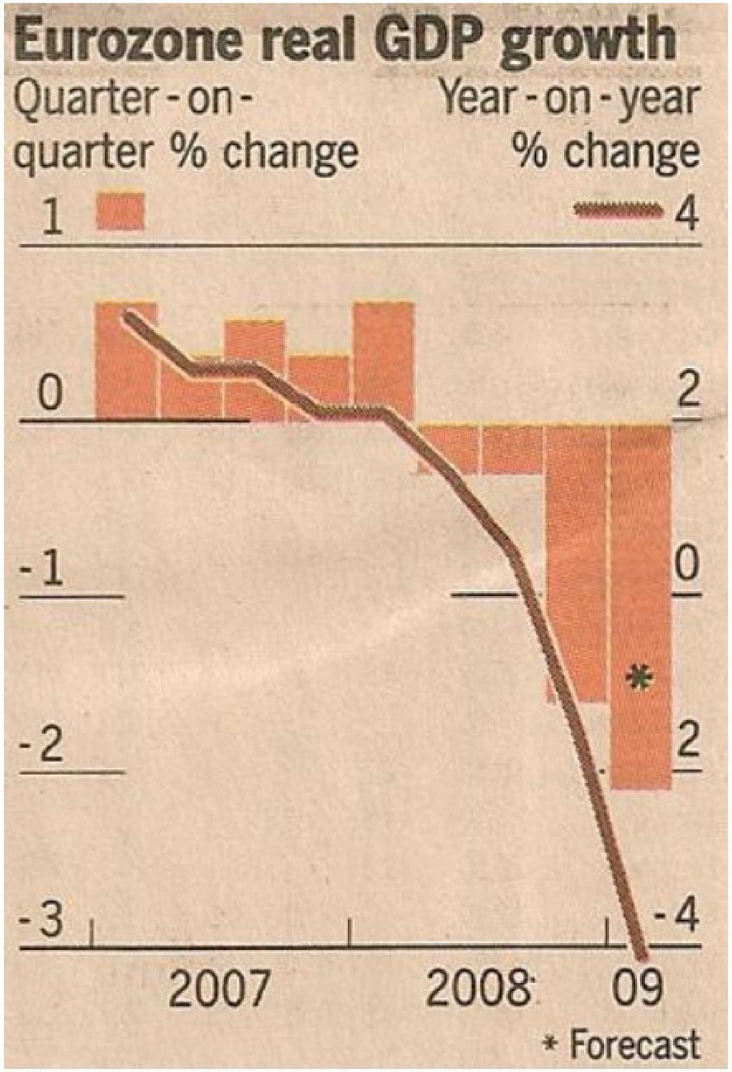
	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Total	351	327	317	308	345	328	303	287	283
UK	131	121	118	111	126	124	120	106	113
Germany	99	91	92	87	94	91	90	79	73
Nordic	39	36	36	38	42	44	38	38	37
France	39	36	34	35	41	26	21	33	32
Italy	43	44	36	37	42	42	34	32	27

Total electronic component sales through distribution



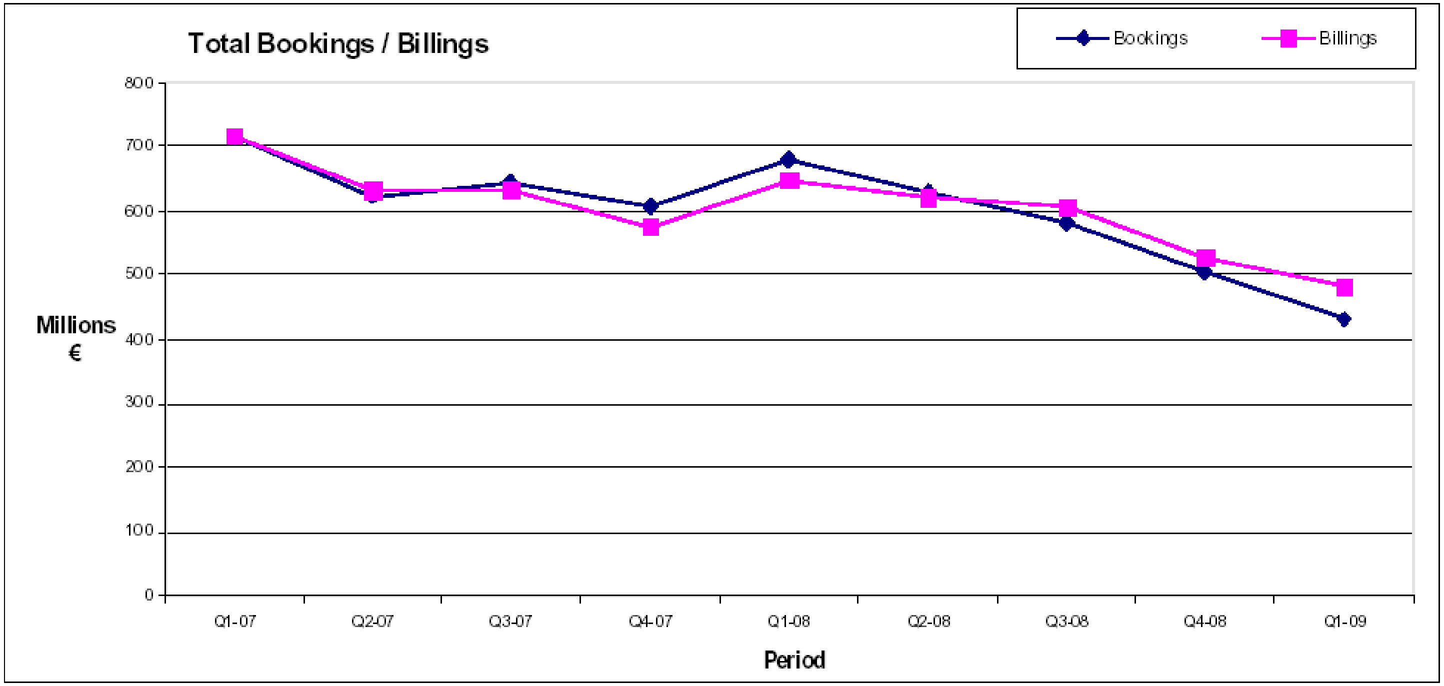
	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Total	1711	1558	1500	1412	1588	1505	1388	1287	1228
Germany	717	632	634	576	648	622	605	529	482
UK	320	303	298	271	303	298	293	261	264
Italy	295	274	234	239	275	263	204	192	180
France	190	173	164	162	185	144	120	142	141
Nordic	188	175	170	164	177	178	166	162	161

European component distribution in Q1 09



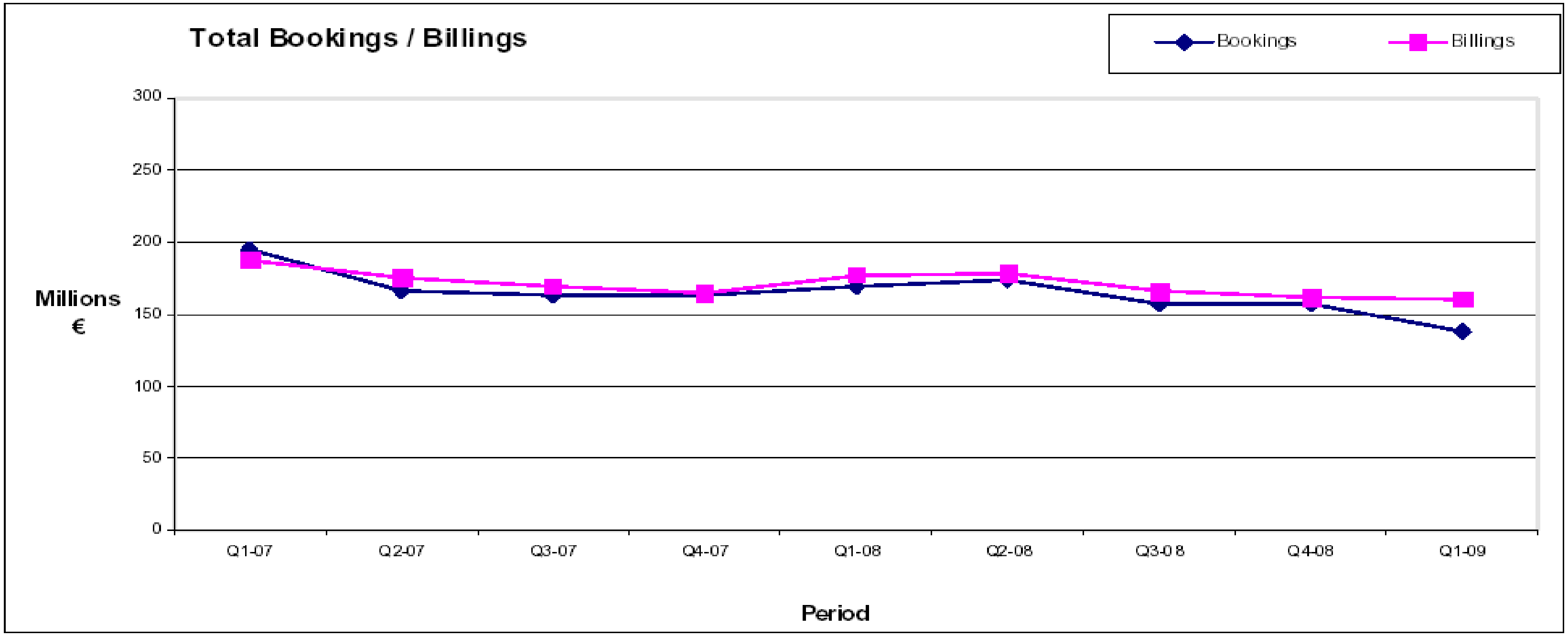
Source : Financial Times 11/05/09

FBDI is the German Electronic Component Distribution Trade Association Fachverband der bauelemente distribution.



	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Bookings	715	624	645	609	680	628	583	507	431
Billings	717	632	634	576	648	622	605	529	482

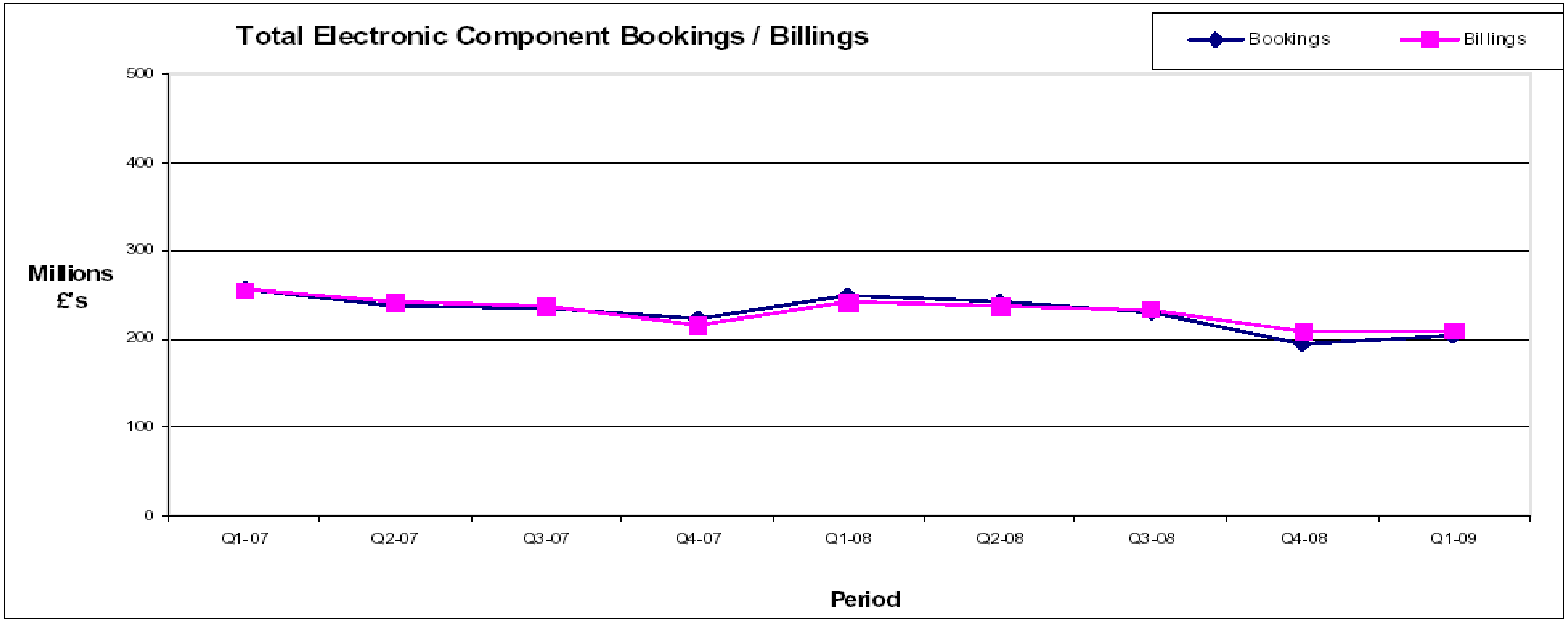
IM is the Swedish Electronic Component Distribution Trade Association. The graph below covers the entire Nordic region.



	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Bookings	194	166	163	163	170	174	157	158	138
Billings	188	175	170	164	177	178	166	162	161

International Distribution of Electronics Association

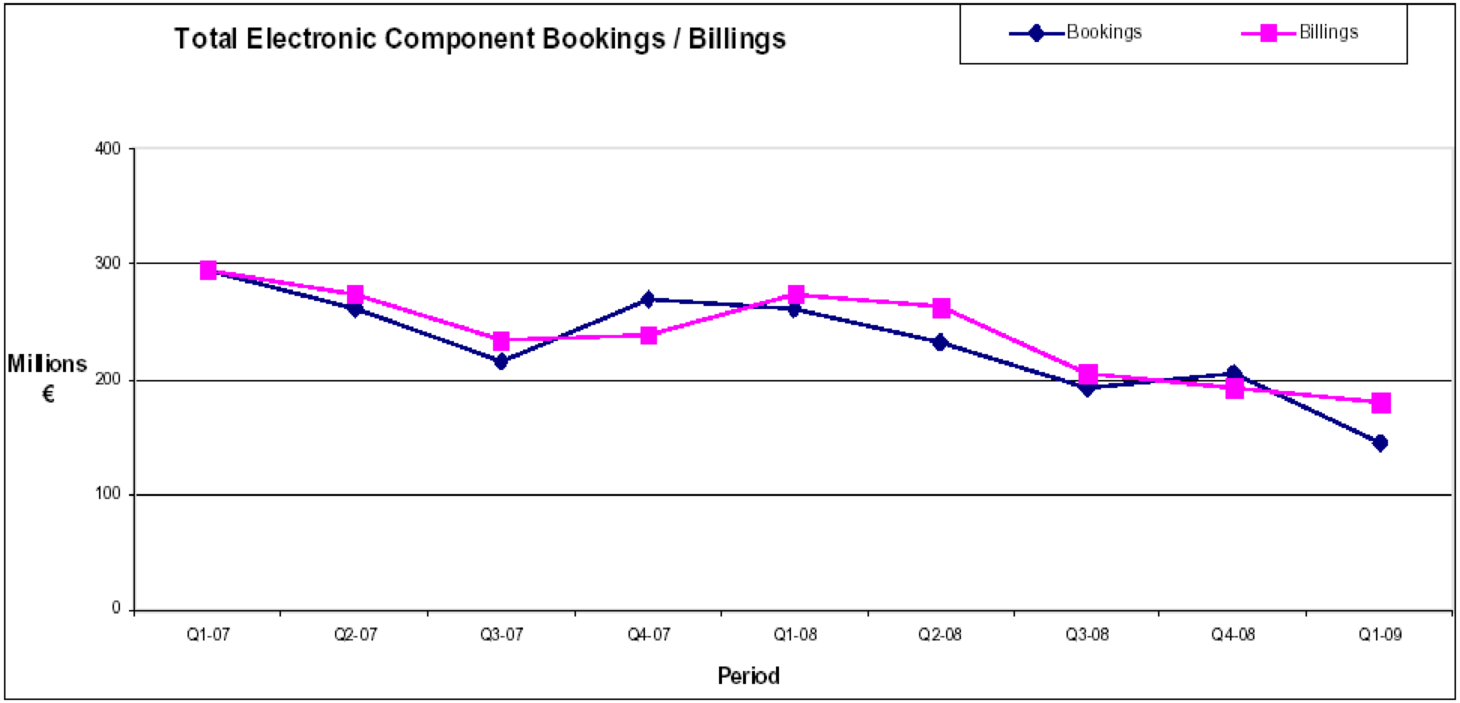
AFDEC is the United Kingdom Electronic Component Distribution Trade Association



	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Bookings	257	239	235	222	248	241	229	194	204
Billings	255	241	237	216	241	237	233	208	210

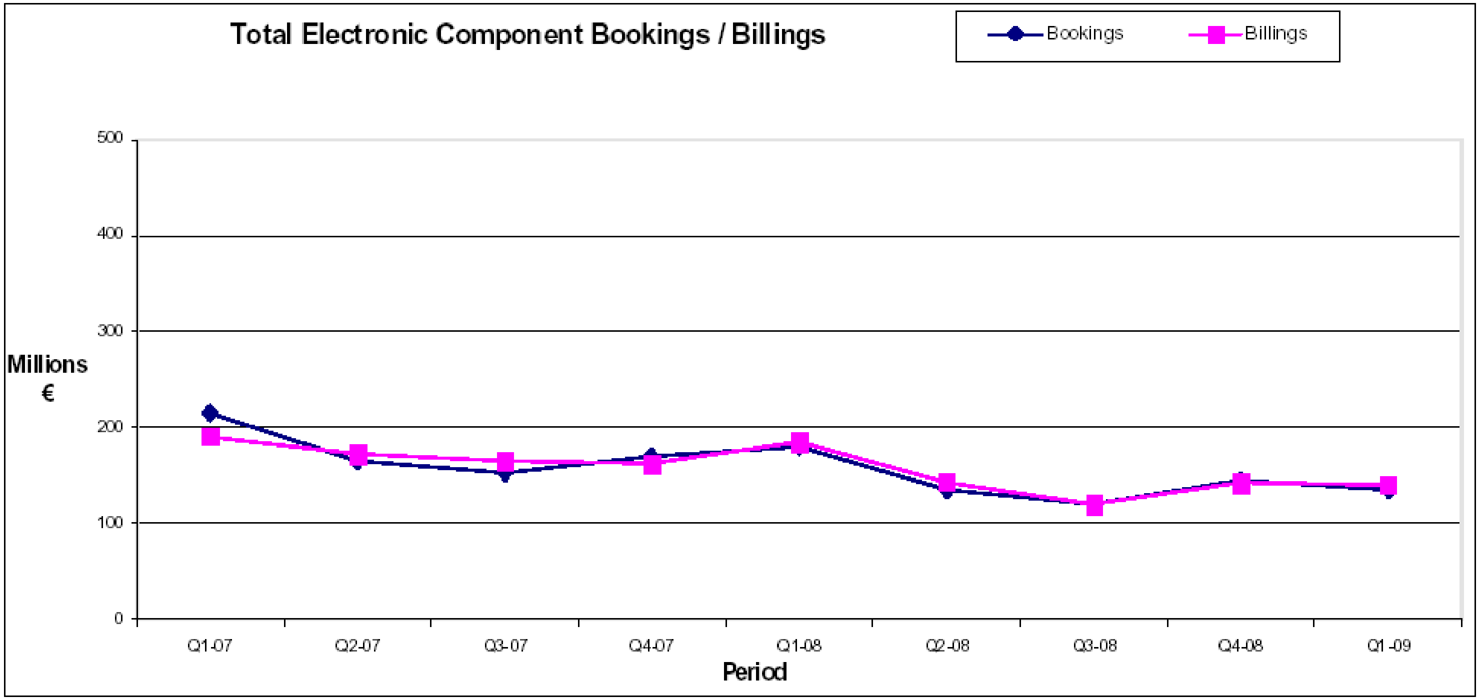
International Distribution of Electronics Association

ASSODEL is the Italian Electronic Component Distribution Trade Association



	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Bookings	293	261	216	269	262	232	192	204	145
Billings	295	274	234	239	275	263	204	192	180

SPDEI is the French Electronic Component Distribution Trade Association

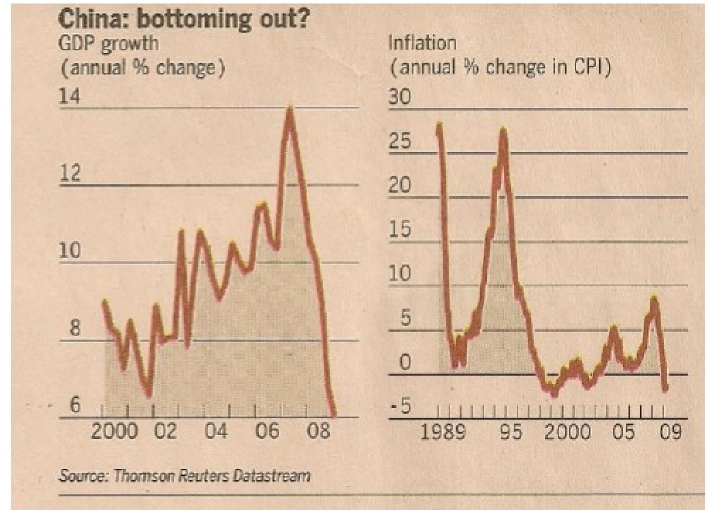


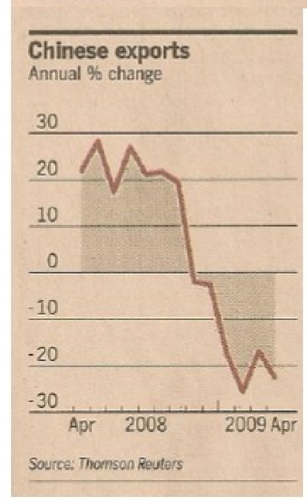
	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
Bookings	216	166	153	169	180	135	120	144	135
Billings	190	173	164	162	185	144	120	142	141

China electronics markets in Q1 09

- Chinese exports fell in April for the 6th consecutive month but despite this It looks as though the worst could be over for Chinese electronics manufacturing industries.

- In Q1 09 the economy grew at an annual rate of “only” 6.1%, the slowest since records began.





Source : Financial Times 17/4/9 and 13/5/9

In the USA, the Trade Association is NEDA The stats below are for component sales.

	NOV	DEC	JAN	FEB
SHIPMENTS TO LAST MONTH:				
OVERALL	0.95:1	0.95:1	0.92:1	0.99:1
SEMICONDUCTORS	0.95:1	0.94:1	0.91:1	0.99:1
INTERCONNECT PRODUCTS	0.94:1	0.92:1	0.94:1	1.01:1
PASSIVE & ELECTROMECHANICAL	0.95:1	0.97:1	0.92:1	0.96:1
OTHER	0.88:1	1.00:1	0.96:1	0.96:1
TO SAME MONTH PRIOR YEAR:				
OVERALL	0.85:1	0.82:1	0.77:1	0.80:1
SEMICONDUCTORS	0.84:1	0.82:1	0.76:1	0.79:1
INTERCONNECT PRODUCTS	0.92:1	0.88:1	0.80:1	0.84:1
PASSIVE & ELECTROMECHANICAL	0.90:1	0.86:1	0.80:1	0.80:1
OTHER	0.86:1	0.79:1	0.93:1	0.99:1
YTD CURRENT YEAR vs. YTD PRIOR YEAR:				
OVERALL	1.00:1	0.99:1	0.77:1	0.78:1
SEMICONDUCTORS	0.99:1	0.98:1	0.76:1	0.77:1
INTERCONNECT PRODUCTS	1.06:1	1.04:1	0.80:1	0.82:1
PASSIVE & ELECTROMECHANICAL	1.02:1	1.01:1	0.80:1	0.80:1
OTHER	0.99:1	0.97:1	0.93:1	0.96:1

Elcina is the Indian Electronic Component Distribution Trade Association

The Indian economy grew 5.8% in the first quarter of 09 but the manufacturing sector contracted by 1.4% in Q1 09 compared with Q1 08. Not good for the electronics industries.

Major market update meeting, October, Paris

On the 6/7/8th October 2009 the Forum de L'Electronique exhibition will be held in Paris at Paris-Nord Villepinte France. As an added bonus the Europartners Distribution Forum will be held at the same venue on the 6th/7th October and IDEA will be giving their market update presentation at the same location at 14.30 on the 7th.

Major market update meeting,

7th October, Paris

The IDEA presentation will comprise component distribution market updates from UK, France, Germany, Italy & Sweden and we are also hoping that the USA, China and India will be represented. The presentation will include updates on the component markets in each country and the drivers for current performance with accurate DTAM information up to Q2 2009 with estimates for Q3.Attendees will also be invited to question the IDEA experts. No registration for the IDEA event is necessary, just turn up! The venue is Room 402, Par d'Expositions, Paris-Nord Villepinte, 93420, Paris 7th.

Market conditions

Background.

- In equities the World is now in a very quiet period. For example, in the UK over the last 50 years 93% of the year's average return from equities has come in the 7 month period from October to April. This is mirrored in other major European stock markets. You will have heard of "bull" or "bear" markets, we are now in a "crab" market.

Market conditions

- I do not need to tell you of the world economic conditions, enough has been said in the last 9 months to fill many libraries.
- Many of the more mature amongst us have seen a similar drop in markets in the past. However this was primarily of a cyclical nature. This time we frankly can't predict the future.
- In the past component markets have not followed closely the GDP growth/decline of a country. We may see a move towards this in the future.

Market conditions

- Distribution' European share of the total electronic component market has increases over the last 4 years. In 2005 it was 24% of the €10.7 billion ill TAM growing to 26% of €12.1 billion in 2007. It is further likely that the percentage, if not the € amount, will increase further in 2008 and 2009. In 2007 the highest increase was in Switzerland with 13% points increase and the lowest in Czech with 3 % points decline.

Market conditions

- Even with the dominance of the two major groups, Arrow and Avnet (in 2007 they jointly represented 40% of the total European DTAM) there is still scope for two opposite forces.

- 1. Mergers/acquisitions

- 2. Start up companies

Source: Europartners Distribution Report .

Market conditions

- Debtors days is extending in some countries as our customers us distributors as a “bank” in these difficult times. However, in the UK debtors days dropped slightly to 60.5 days in 2008 and has never been over 65 days in the last 10 years. And this is without the “discount” policies adopted in some other countries. I believe, however, it is a function of the local mentality and, as such, will not change materially in countries such as France & Italy where debtors days are substantially higher.

- Perhaps you will prove me wrong?

Source: Europartners Distribution Report .

Current conditions

- In the past countries such as the UK has given substantial support to the Financial Services industries and at the same time told Electronics industries to accept the “migration to China” effect. How wrong they have been! At last, Government is re-focusing some activities to support Electronics industries. However, it is still too little-too late!
- In Italy there are programmes such as the rolling out of the Fortronic concept, that will support local electronics growth.