International Electronic Component Distribution

New Opportunities

presented by

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Hon President: Association of Franchised Distributors of Electronic Components, UK

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International Distribution Meeting-Milan
19th July 2007

I D E A

Electronic component distribution in July 2007

- What is IDEA**?**

- What is changing in Europe, the “forecasters of doom” were wrong!

- World influences & challenges

- The component distribution markets across the World

IDEA

What is IDEA?

The International Distribution of Electronics Association

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

I D E A

South Africa UK Russia Italy Australia Germany Sweden Japan USA France

IDEA is an “Association of Associations” whose members are the Electronic Component-specific trade associations of most of the major electronic producer nations in the World.

I D E A

- 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

I D E A

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

NEWSLETTER

Insourcing, a new buzzword

- IDEA's web site is www ideaelectronics.com

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

IDEA

•In 2007 IDEA has developed a new structure designed to support it’s growth as an organisation with International influence over the next 5 years.

•IDEA has developed strategic alliances with both Forum de L’Electronique in France and EDS in the USA.

I D E A

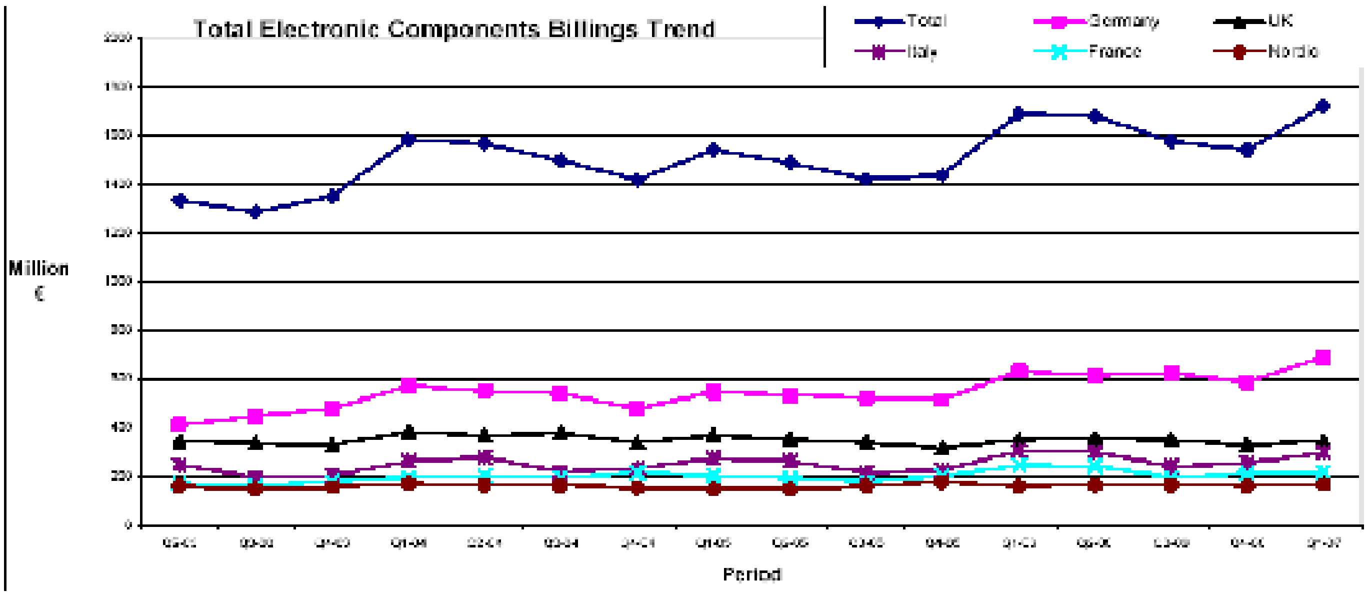
What is changing

There IS life after China

- China has been an Electronics Market force now for over 5 years and the European component distribution market has actually gained share in 2006!
- Some equipment makers, primarily the specialist equipment companies, are either not moving to China or are moving back
- Sea freight means substantial extra inventory
- China’s internal demand is so great that exporting is less of a necessity.
- Component makers who are supplying the major manufacturers have already switched their attention to China and India…and there is still business for Europe!

Life after China

Europe has regained World Market share in 2006! This is a 4 year trend graph………. Component distribution sales €Million Euro



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Total	1334	1286	1352	1505	1487	1497	1418	1541	1488	1420	1438	1690	1679	1578	1542	1721
Germany	412	446	479	573	551	540	478	549	534	523	515	633	615	626	587	693
UK	345	336	339	382	368	378	338	367	351	338	318	350	365	360	328	345
Italy	246	197	205	262	278	218	233	274	261	216	226	302	300	241	254	295
France	171	180	181	197	205	198	214	205	196	181	201	245	242	197	211	219
Nordic	161	147	155	170	164	163	155	146	147	162	177	160	166	166	161	169

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	1541	1488	1420	1438	1690	1679	1578	1542	1721
% change	Last Qtr	8.7%	-3.4%	-4.6%	1.2%	17.5%	-0.6%	-6.1%	-2.3%	11.6%
% change	Same Qtr last year	-2.8%	-5.0%	-5.2%	1.4%	9.7%	12.8%	11.1%	7.2%	1.8%

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Life after China

The next challenge is how to capitalise on the "New Money" moving into Europe.

•Gone are the days that Foreign Reserves end up as Gold Bullion.

•State Investment Funds are now focussed on Acquisitions. In 1981 Singapore (GIC) launched $330 billion fund, in 2003 Qatar a $40 Billion fund, in 2007 China is expected to launch a $200 Billion fund. This money will fund huge acquisitions and mergers, often using investment vehicles such as Private Equity houses (eg Blackstone, Permira etc)

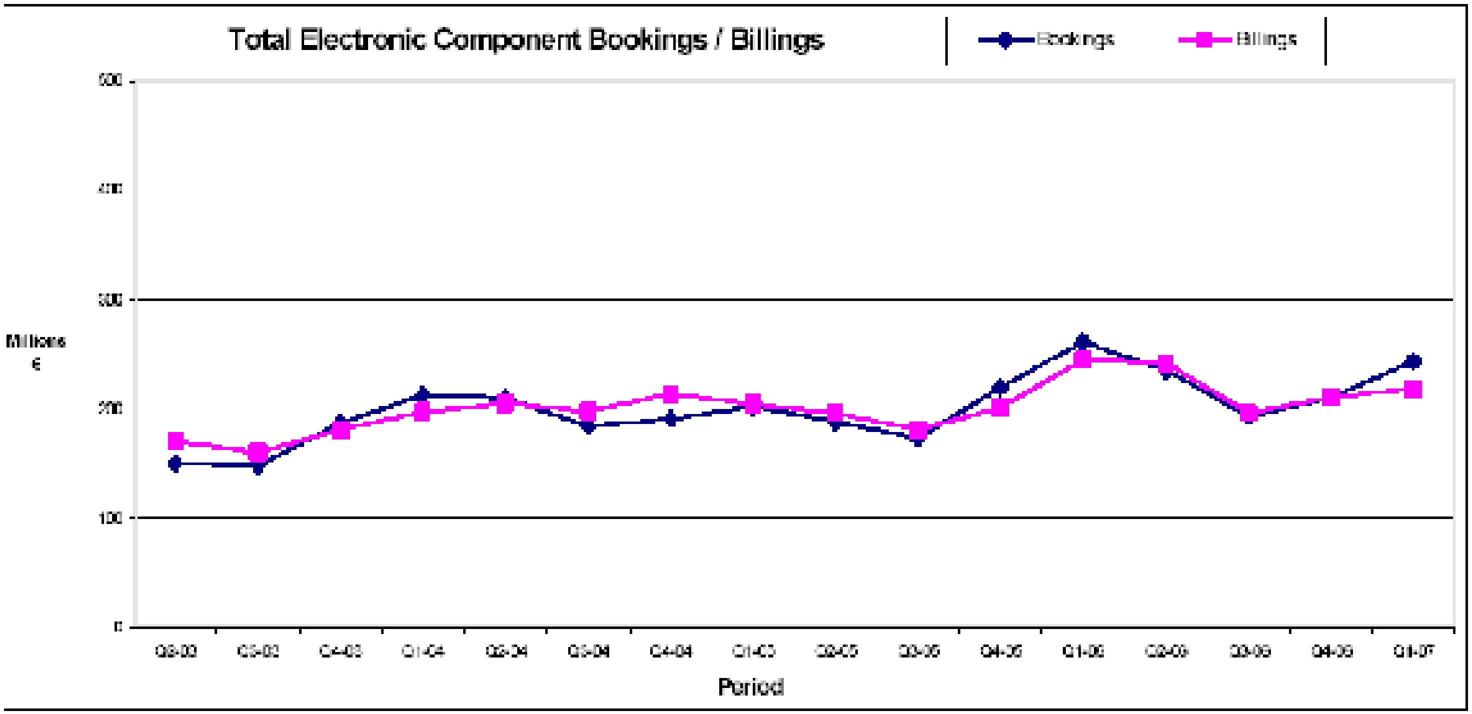
•A total of £2.5 Trillion could be heading our way as just Asian fx reserves alone now top $2 Trillion.

Life after China

- The EU has now launched ENIAC, the $3 Billion Nano-electronics initiative. Although around 60% of the money will come from Industry Member States will use the fund to create a strong Nano-electronics R & D/Manufacturing sector

€ Million

France Distribution Sales



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Bookings	150	148	187	213	210	185	191	203	188	173	219	262	236	194	211	244
Billings	171	160	181	197	205	198	214	205	196	181	201	245	242	197	211	219

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	**205**	**196**	**181**	**201**	**245**	**242**	**197**	**211**	**219**
	Last Qtr	-4.1%	-4.4%	-7.5%	11.0%	21.7%	-1.0%	-18.9%	7.2%	3.8%
	Same Qtr last year	3.9%	-4.7%	-8.5%	-5.8%	19.5%	23.8%	8.5%	4.7%	-10.7%

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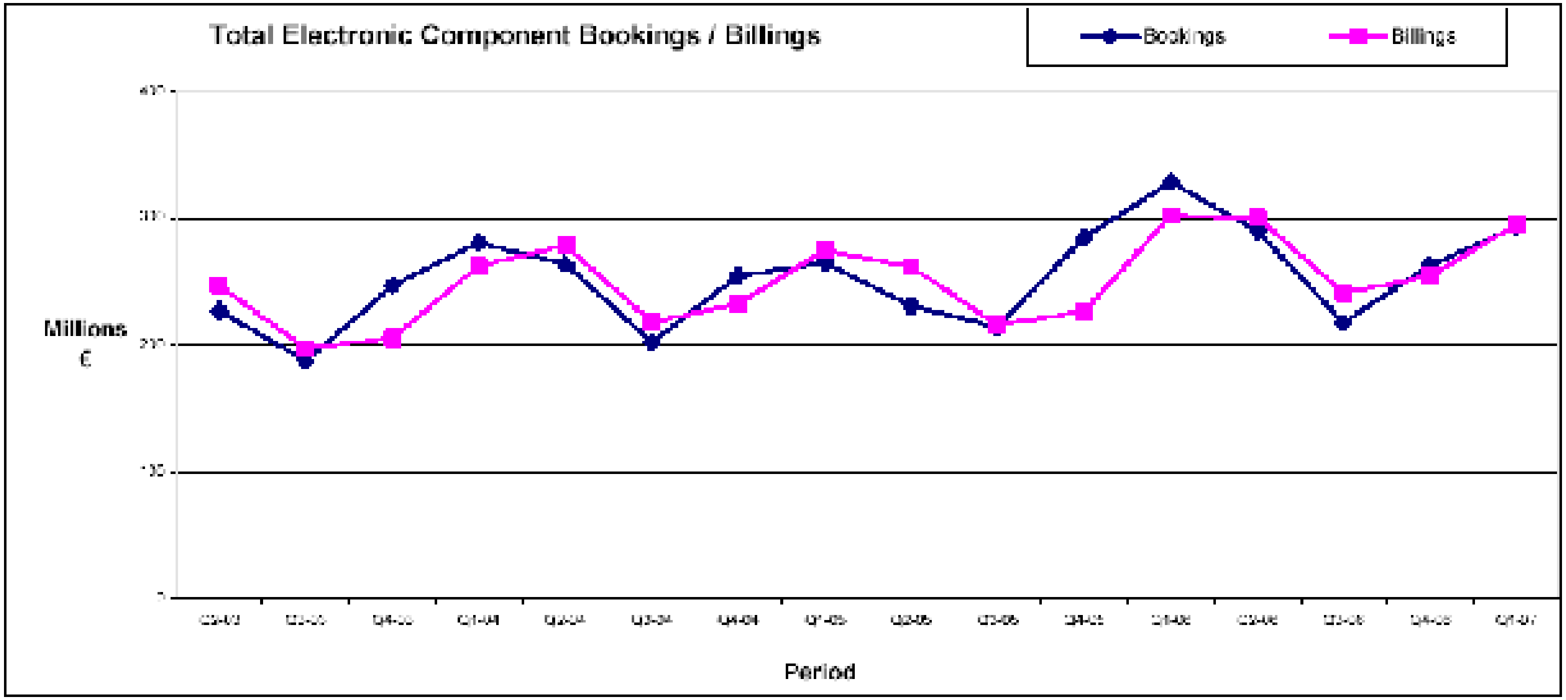
€ Million

Italy Distribution Sales



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Bookings	227	187	247	280	264	202	255	264	231	214	284	328	289	218	263	293
Billings	246	197	205	262	278	218	232	274	261	216	226	302	300	241	254	295

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	274	261	216	226	302	300	241	254	295
	Last Qtr	18.1%	-4.7%	-17.5%	4.8%	33.6%	-0.5%	-19.9%	5.7%	15.9%
	Same Qtr last year	4.5%	-6.0%	-1.0%	-2.7%	10.1%	15.0%	11.5%	12.5%	-2.3%

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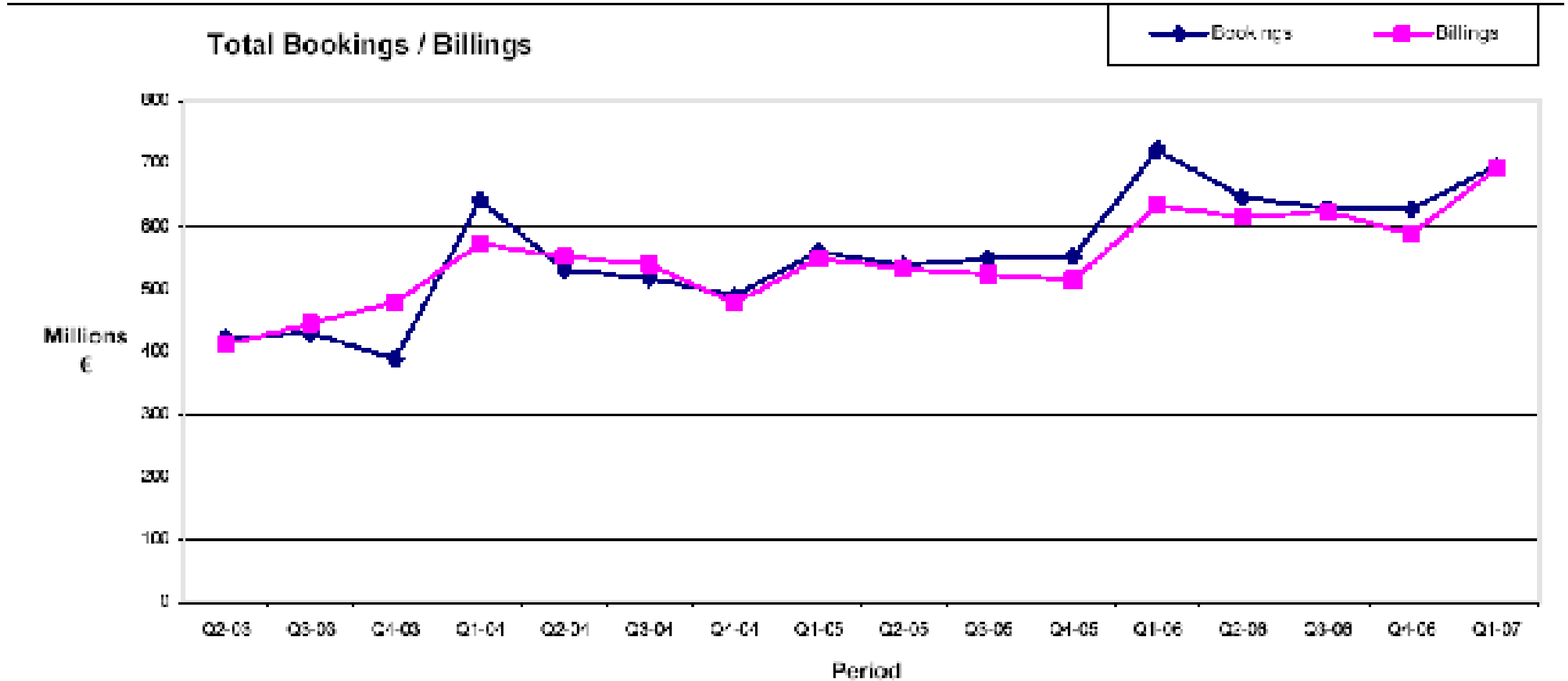
€ Million

Germany Distribution Sales



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Bookings	423	430	388	642	531	518	490	560	538	549	552	722	647	630	629	697
Billings	412	446	479	573	551	540	478	549	534	523	515	633	615	625	587	693

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	549	534	523	515	633	615	625	587	693
	Last Qtr	14.9%	-2.8%	-2.0%	-1.5%	23.0%	-2.8%	1.5%	-5.9%	17.9%
	Same Qtr last year	-4.2%	-3.1%	-3.1%	7.7%	15.3%	15.3%	19.4%	14.1%	9.4%

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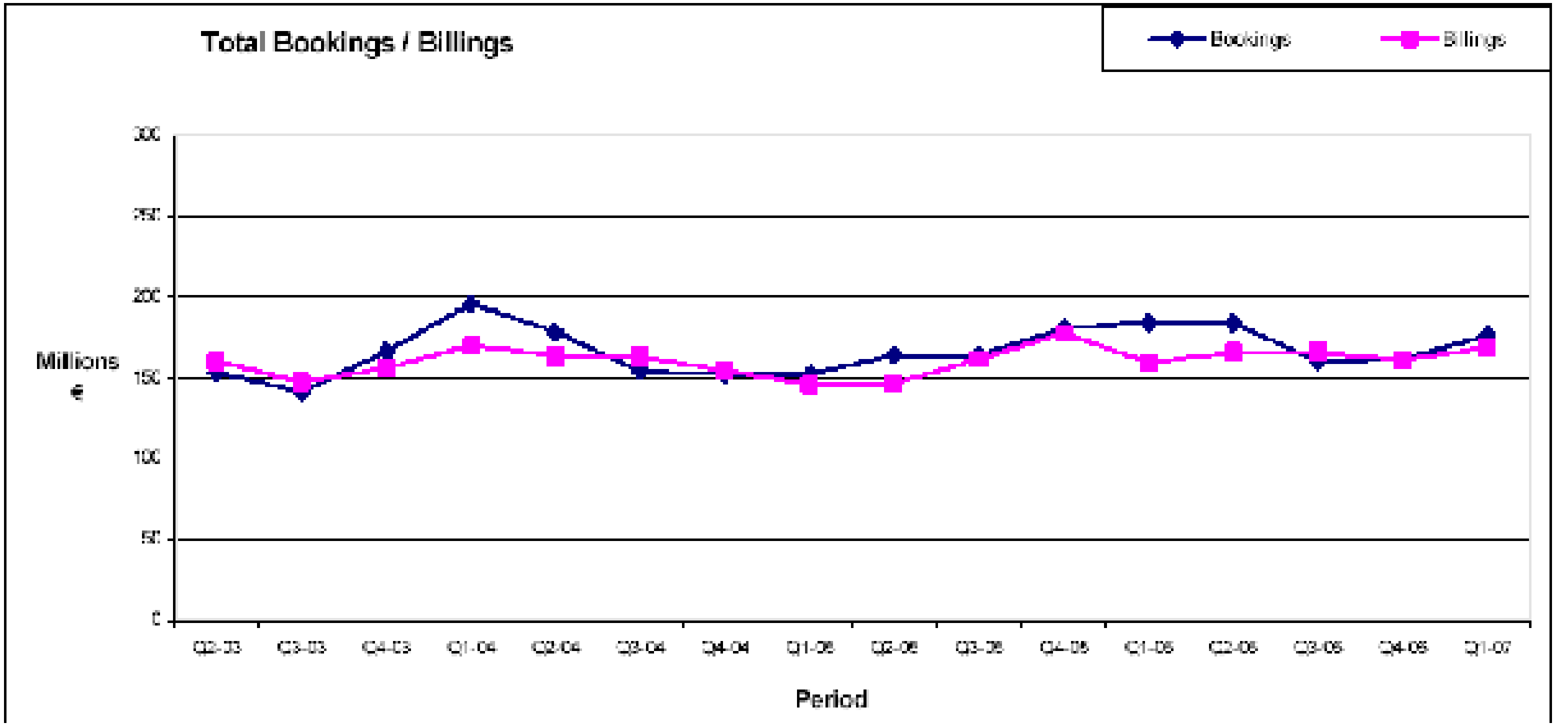
€ Million

Nordic Distribution Sales



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Bookings	153	141	166	196	178	154	153	153	164	164	181	185	184	161	162	176
Billings	161	147	156	170	164	163	155	146	147	162	177	160	166	166	161	169

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	**146**	**147**	**162**	**177**	**160**	**166**	**166**	**161**	**169**
	Last Qtr	-5.8%	0.6%	10.3%	9.7%	-9.9%	3.7%	0.1%	-3.1%	5.1%
	Same Qtr last year	-14.4%	-10.4%	-1.0%	14.6%	9.6%	12.6%	2.6%	-9.3%	5.8%

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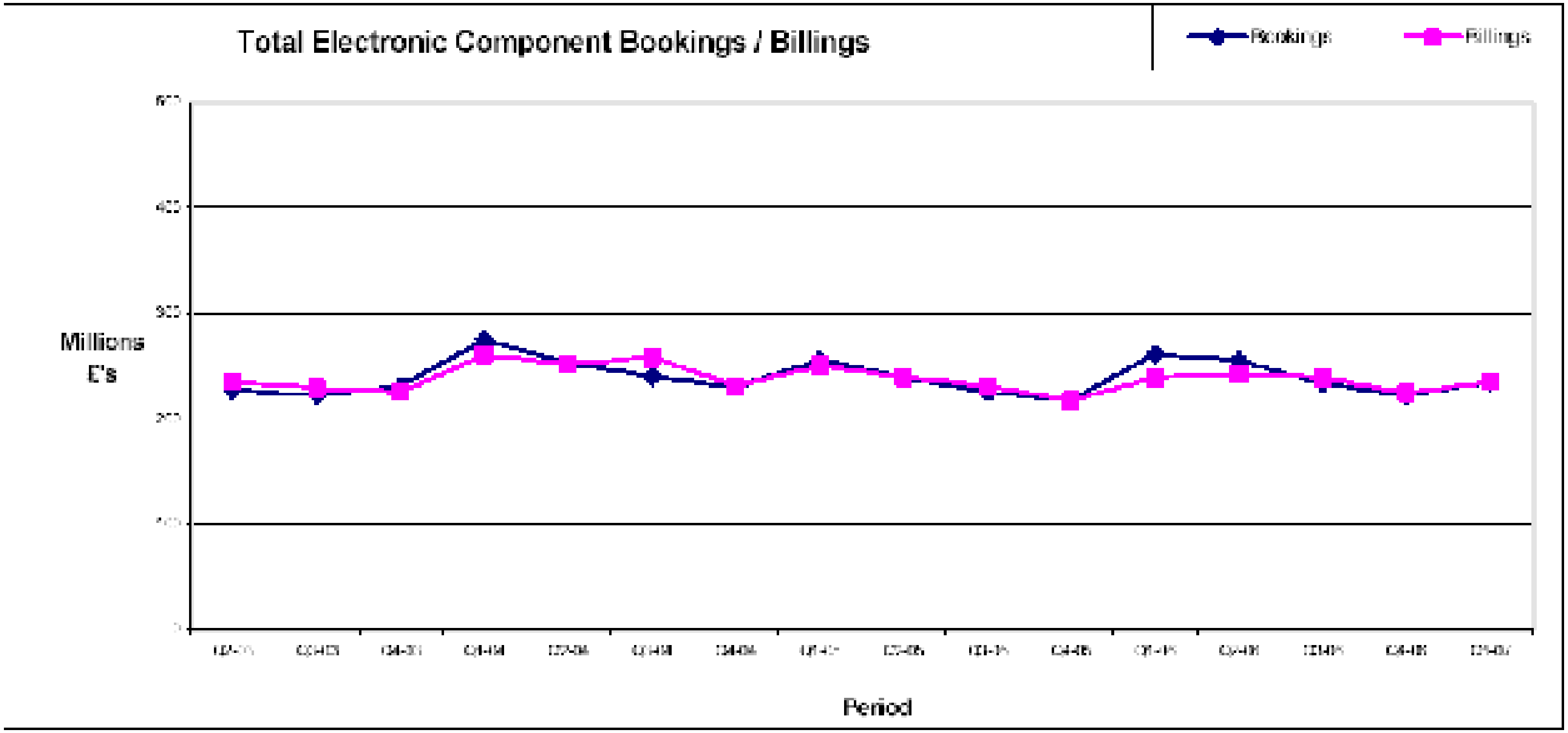
€ Million

UK Distribution Sales



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Bookings	227	222	231	274	253	240	230	255	239	225	218	261	255	233	222	235
Billings	235	229	225	260	251	258	231	250	239	231	217	239	242	238	224	235

Activity	Comparison	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07
Billings	Value	**367**	**361**	**338**	**318**	**350**	**355**	**350**	**328**	**345**
	Last Qtr	8.1%	-4.4%	-3.5%	-5.9%	10.0%	1.5%	-1.6%	-6.2%	5.2%
	Same Qtr last year	-4.0%	-4.8%	-10.5%	-6.1%	-4.5%	1.4%	3.3%	3.1%	-1.4%

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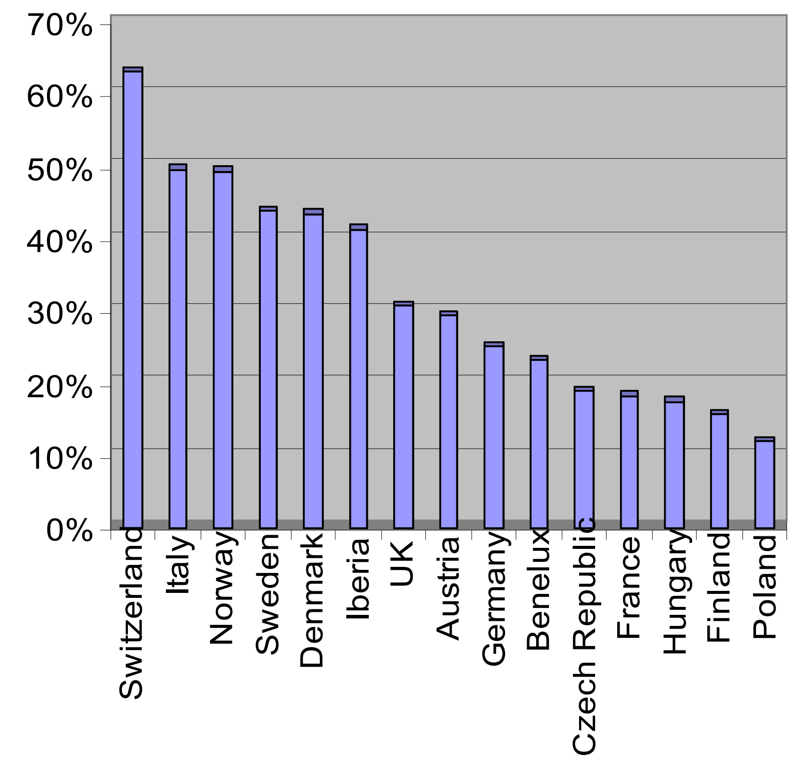
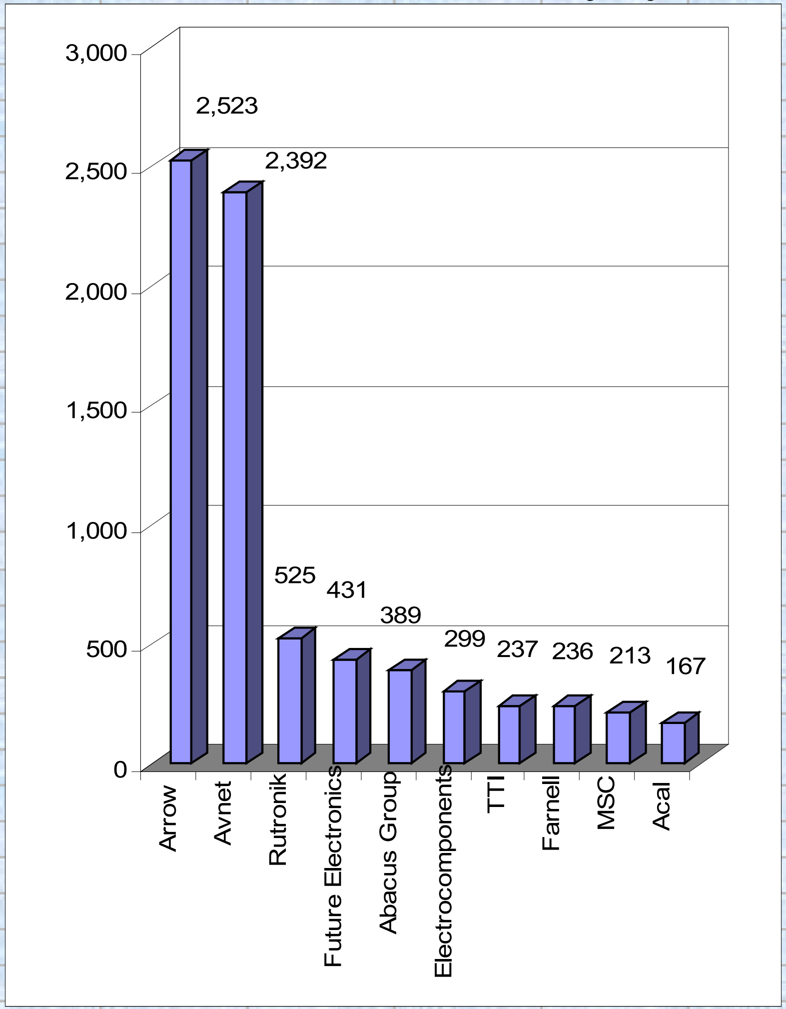
DISTRIBUTION (DTAM) SHARE % OF TAM 2007

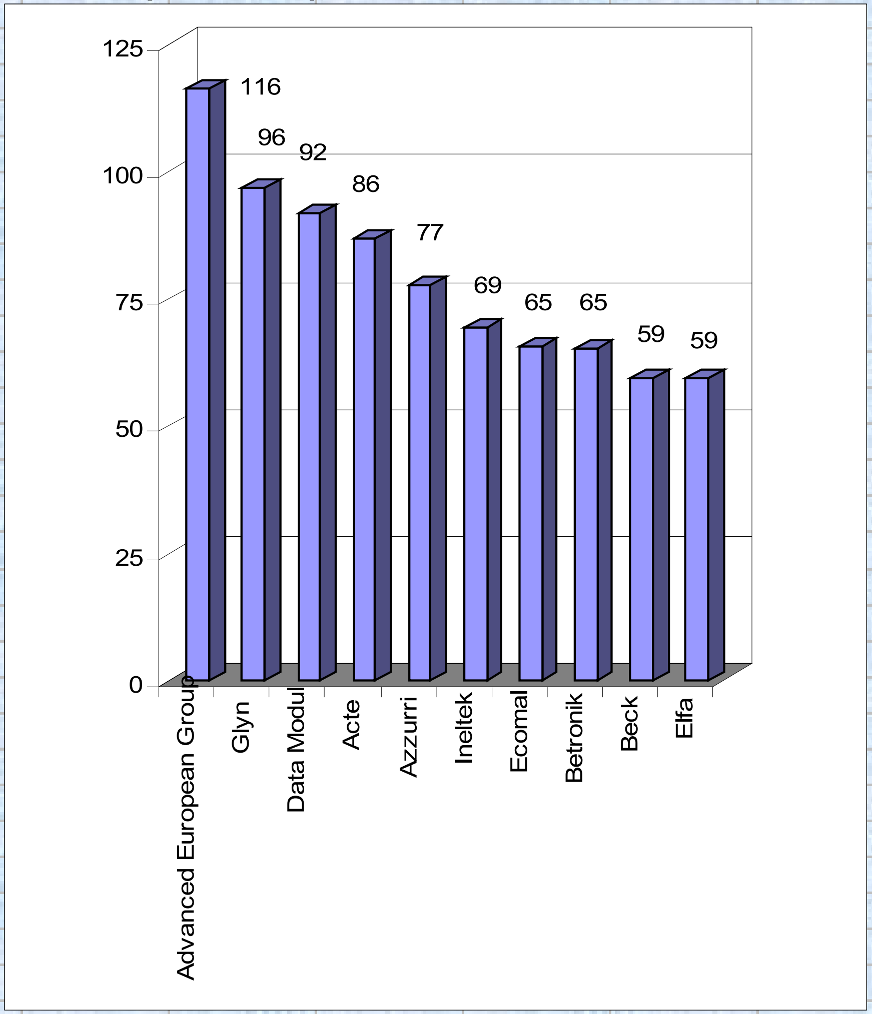


Source: Europartners 2007 Distribution Report July 07.

TOP 20 EUROPEAN COMPONENT DISTRIBUTOR GROUPS SALES TO INDUSTRIAL MARKETS
2006 - Mill €
Actual € conversion

Note: History adjusted to include acquired companies.





Source: Europartners 2007 Distribution Report July 07.

The 20 companies above represent just under 70% of the entire European Component 2006 DTAM of €12.1 Billion

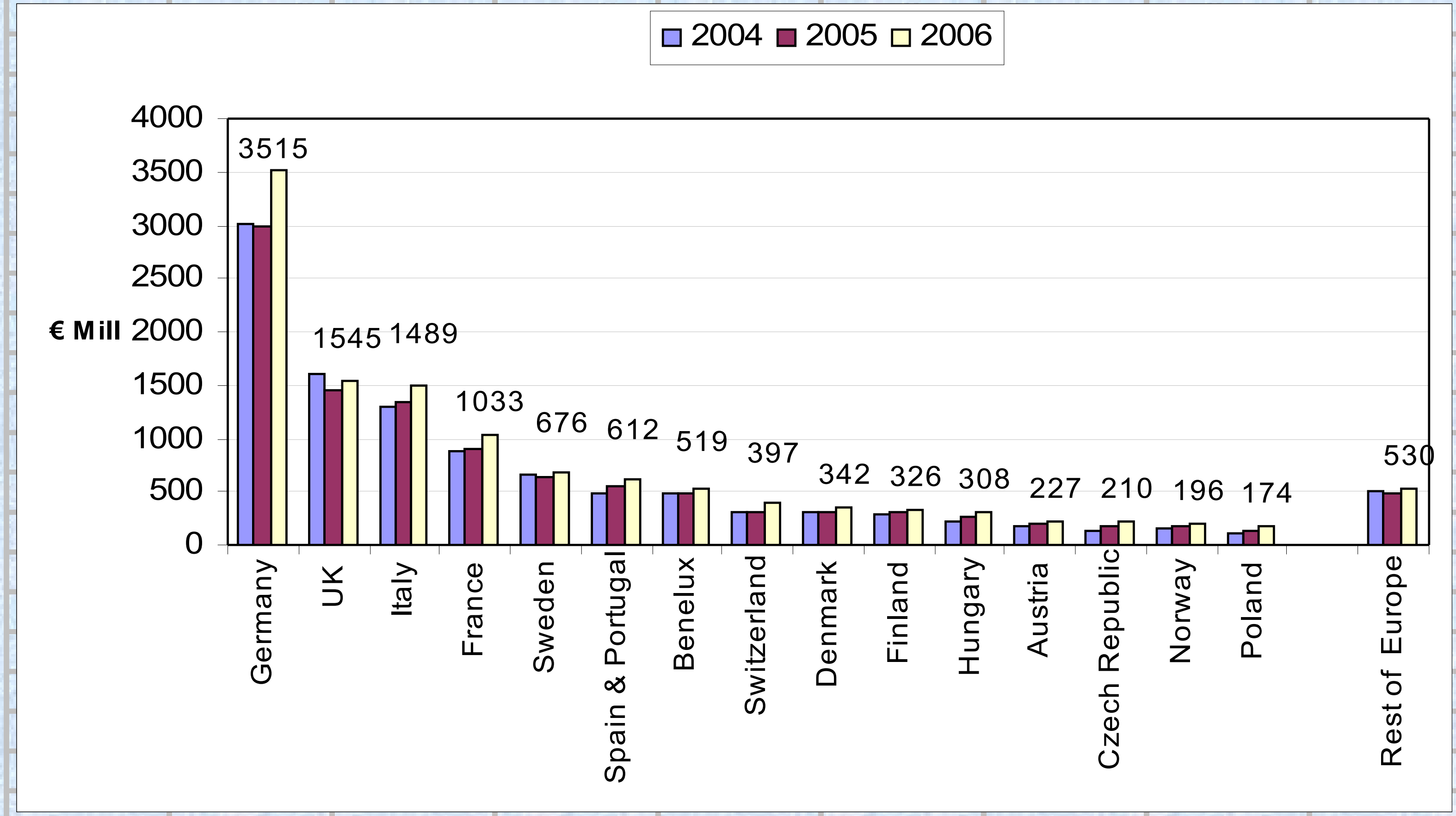
European Distribution Market 2006

A 13.2% Growth for Europe in 2006!

2004/2005/2006 DTAM for the top European countries

Mill € **TOTAL ELECTRONIC COMPONENTS EUROPEAN DTAM**

2004	€ 10,647 Mill
2005	€ 10,685 Mill
2006	€ 12,101 Mill



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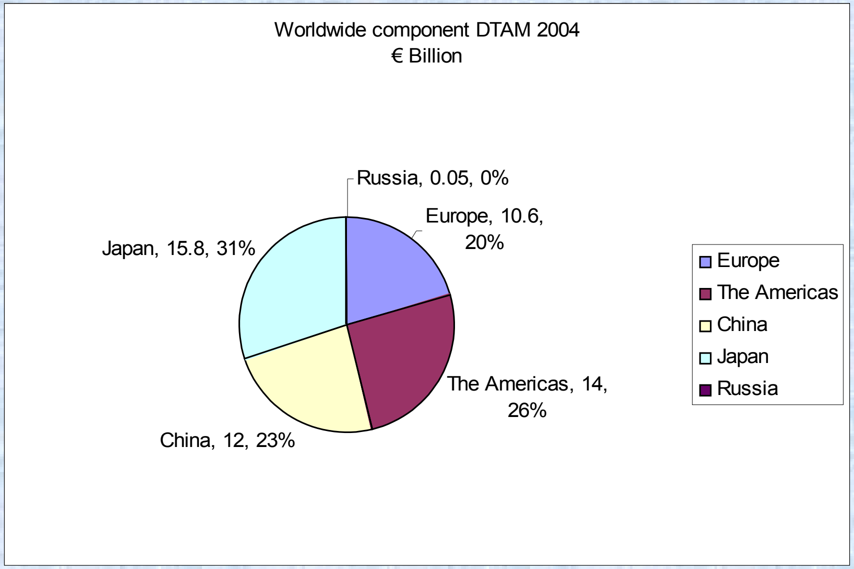

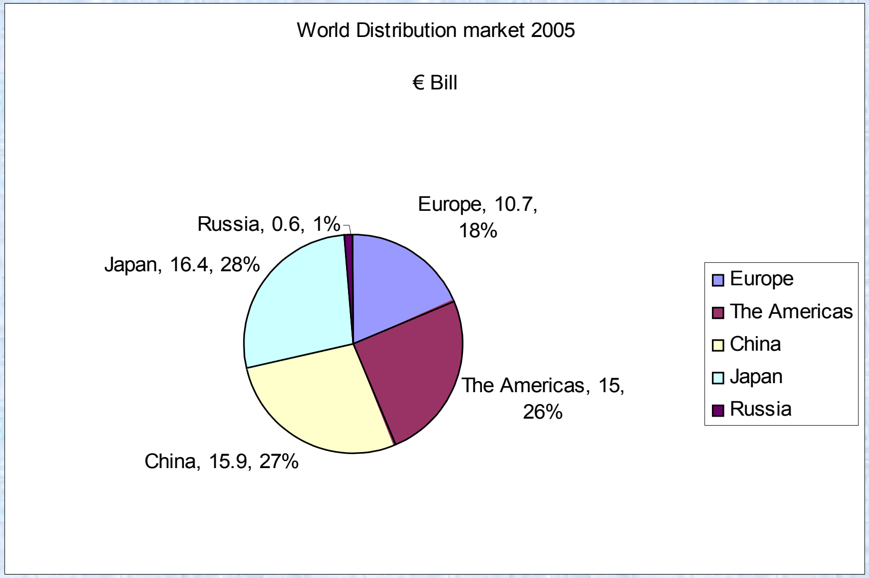

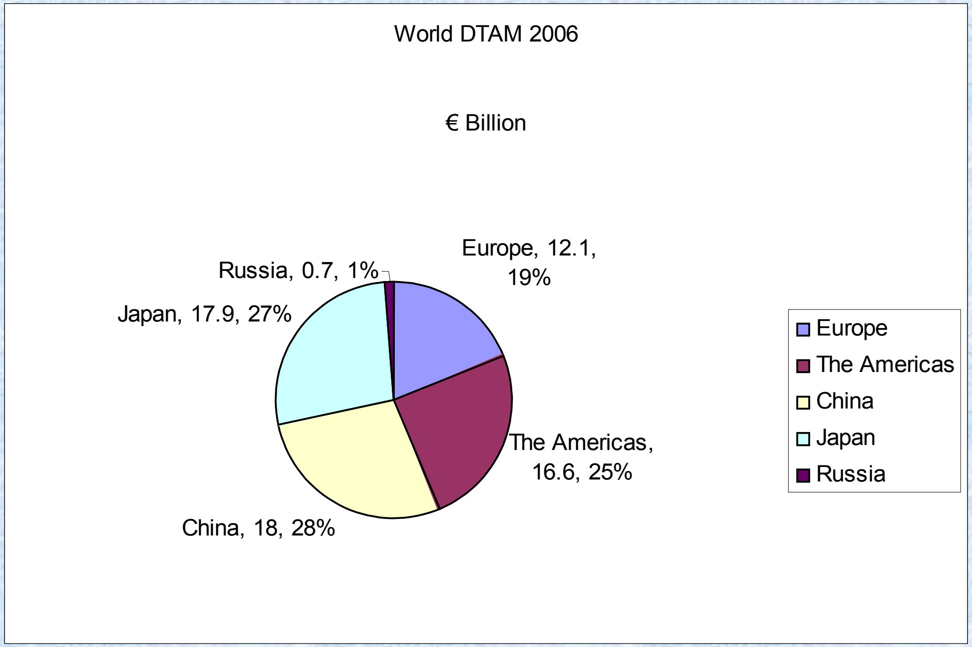

Breaking news…Europe re-gains World Market share in 2006!

Source: Europartners 2007 Distribution Report July 07.

•Electronics manufacturing companies who release their manufacturing to EMS suppliers the other side of the world often just haven’t thought through the process.

•Manufacturing companies, dazzled by the “hype” of outsourcing, select products that are not suitable for outsourcing.

Companies do not understand what costs they need to take out of their organization to make outsourcing profitable

Companies have not properly evaluated the cost of managing an outsourcing partner, particularly overseas!

•Companies have not understood how to integrate their own organizations with that of the outsourcing partner.

•Companies have not put into place mechanisms for evaluating the impact of new legislation on their sourcing decisions.

•Companies have found communication difficult with overseas organisations.

•Companies have found it IMPOSSIBLE to protect their intellectual property.

•Companies have found it difficult to get technical/design support for new projects when the sources are no longer local. Their suppliers, the distributors, still find design-win-registration/tracking a major problem that reduces their income.

•Companies have not really understood the dynamics of Supply Chain Governance and have even less influence on the supply chain.

Three years ago when I made a presentation in Padua I said…..

I believe for Europe there are more opportunities than threats, but we must understand it and run with it, not try to fight it!

I still believe this is right!

We all knew that we had the knowledge within Europe to ensure that electronics manufacturing stays at the heart of our economies…

2006 has shown that we also have the wisdom to make it happen!

Thank you

I am happy to take any questions you may have

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