

IPTE

IPO

Reuters	n.a.
Bloomberg	n.a.
Datastream	n.a.
NTS	
Derivatives	NONE

PRICE*	EUR	22.00
18/04/00	BEL20	2,934.80
Year's H/L	n.a. n.a.	
Market Cap.	EUR m	128.5
# shares outstanding		5,476
# shares fully diluted		p.m.
Free Float		p.m.



	Sales	EBITDA	Publ. Earnings	EPS before	EPS after	EPS growth	P/E	P/E rel. vs.	CFPS	Price	Gross div.	Gross yield	EV EBITDA
	(EUR m)	(EUR m)	(EUR m)	goodwill (EUR)				BEL20	(EUR)	(EUR)			
1997A	8,790	n.a.	410	0.10	0.10	n.a.	226.0	9.33	0.09	236.64	n.a.	n.a.	1.9
1998A	21,312	n.a.	422	0.15	0.15	52.4%	148.3	7.06	0.08	284.75	n.a.	n.a.	5.9
1999A	46,975	4,914	1,107	0.48	0.38	221.7%	46.1	2.63	0.49	44.73	n.a.	n.a.	5.8
2000E	97,174	10,378	3,642	1.12	0.95	135.3%	23.1	1.52	1.30	16.94	n.a.	n.a.	11.4
2001E	123,947	13,140	5,457	1.33	1.18	18.2%	18.7	1.40	1.46	16.94	n.a.	n.a.	9.1

* Assumption KBC Securities

“... your partner for integrated test and production solutions ...”

- **Integrated Production and Test Engineering (IPTE)** is active in the fast growing and rapidly evolving electronics industry. IPTE develops and manufactures test and production equipment which it integrates into completely automated production and assembly lines for the electronics industry. “Connect Systems”, taken over in 1999, is a *contract manufacturer* for the same electronics industry which produces high-grade *Printed Circuit Board’s* (PCBs) and assembles complex cables and cable systems.
- IPTE was founded in 1992 and has known a rapid growth, since the start doubling its turnover every year. In 1999, sales again grew 120% to reach EUR 47m. The management aims to continue that way and turns to the capital market to raise EUR 26.3m in new share capital. The money will in the first place be used to restore the weakened balance sheet structure but will simultaneously create the space for IPTE to finance future internal and external growth. Acquisitions are one of the company’s main strategic objectives.
- **Growth drivers.** The electronics industry is a fast growing market under the command of the telecom business (GSM, wireless communication,...). Other rapidly evolving sectors are the automotive industry (GPS, airbags, cruise control,...), the consumer electronics business (video, hi-fi, CD-Rom,...) and the computer industry. This fast growth leads to mass production which, to optimise the production flow and to cut the production costs, calls for a far-reaching **automation**. The shortening time-to-market ratio also requires flexibility in the production process. It is this trend on which IPTE is capitalising. IPTE at the same time benefits from the growing trend whereby the *OEMs* outsource the production and logistics of their electronic devices to the so called *Electronics Manufacturing Service* companies.
- Our DCF valuation yields a EUR 132.1m value for the IPTE group or EUR 24.9/share. This value is confirmed by a *pro forma* DDM model and compares favourably to the multiples of other technology and comparable stocks which are, from a purely objective point of view, aggressively priced in the market.
- **Risk elements.** IPTE’s business is technology driven and depending on key personnel. There is the need to stay on top to remain successful. IPTE’s business is project driven which could lead to certain volatility in the revenue stream. Missing out on a couple of projects can make a lot of difference. There is the requirement to be a global player. Competition comes from bigger and established players in the business. We believe however that the track record, the high entry barriers and the management strengths outweigh these risk elements.

IPTE : “a rapid start in 1992”

Company history

Founded in 1992 ...

IPTE was founded in 1992 (at the time as *ITE NV*) by 5 former Philips employees : Huub Baren, Wolodimir Dobosch, Gaston Moonen, Gilbert Nulens and Luc Switten. All had a very broad experience in the electronics business and were convinced that the evolution in the industry was such that it offered opportunities for a partner which could offer solutions *to automate* the production chain of electronic devices. They were convinced that electronic devices (gadgets at first but now part of everyone’s day to day life) were to become commodities so that mass production would become a necessity. To be able to produce the high volumes efficiently and productively, they strove for a high degree of *automation*.

... and up to a very quick start

The group has experienced a rapid growth since the start and, despite the start up situation in the early 1990ies, booked a bottom line loss only once (in the start-up year) Turnover rose from EUR 0.8m (in 1993) to EUR 47m in 1999. This represents a compound annual growth rate (*CAGR*) of 97%. For 2000, IPTE aims at a turnover figure of EUR 97m (up again 107%). In 1999, 75% of the turnover was exported for which in January 2000, IPTE received the Royal Export Award. IPTE is present in 20 countries, in Europe, America and Asia. The group chose to be a “*global player offering a global reach*” at a very early stage. The strategic reason for that was that the main clients, big electronic conglomerates, were also global players with a presence world-wide.

... partly on the back of acquisitions

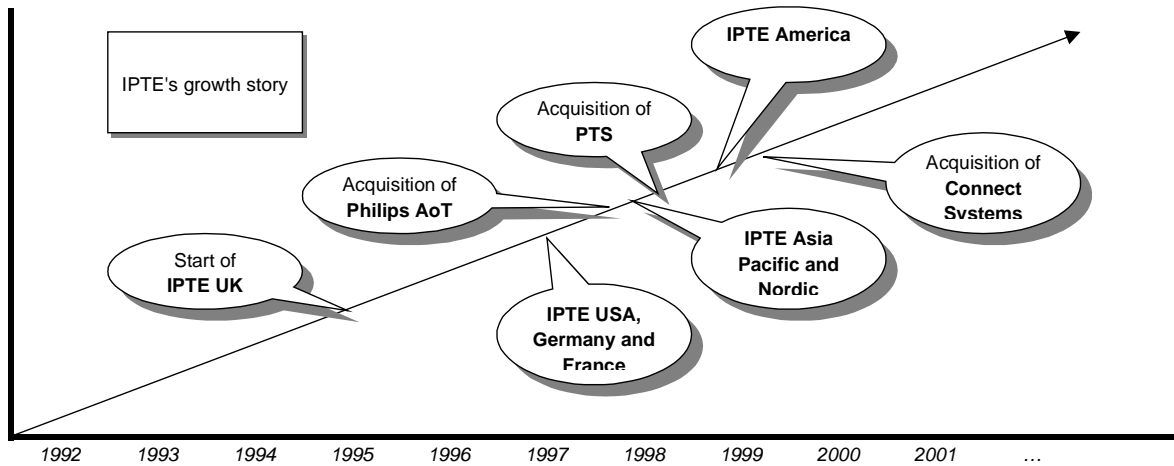
At the start, the group focussed on internal growth. 1998 was however a milestone in the company’s history. In addition to the continued opening of new locations in Europe, Asia en the US, IPTE took over both the *Automation of Test* division from Philips, Hasselt as well as the former *Gründig Factory Automation* division (this became *IPE GmbH*). It was the sign for further expansion as both acquisitions expanded IPTE’s market and enabled the group to provide additional product and service solutions. IPE enabled ITE to extend the product range from test automation further into the production area. The take-overs made the group a business of engineering and turn-key solutions for test and production lines relying on the knowledge gained from years of implementing Gründig and Philips production technologies. By pooling the know how from different sources, IPTE could now deliver robotic systems adapted to the client’s unique specification.

In 1998, the internal growth continued also as IPTE started of in Singapore (*IPTE Asia Pacific*) and in Scandinavia (*IPTE Nordic*). The importance of having an international sales network can not be overestimated as witnessed by some of IPTE’s direct competitors nowadays which have focussed on their domestic market in the first place sometimes dominated by one major player in one specific sector.

1999 : acquisition of the Connect Systems group

Growth continued in 1999 when IPTE (Kampenhout, Fürth/Germany and Luton/UK) took over the Connect Systems group (Houthalen, Ieper and Reijen in The Netherlands). Connect Systems is a *contract manufacturer* for the (same) electronics business which produces high-grade *PCBs* (quick turn prototypes and small to medium runs) and complex *cables and cable assemblies*. Connect Systems also offers related services, e.g. assemblies of semi-finished and end products.

IPTE's "management for growth":



Major synergy between ITE/IPE and the Connect Systems group stems from the fact that both serve the same client base of major electronics companies. The integration of Connect Systems and ITE/IPE allows the group to offer a *one stop shopping concept* to the complete electronics industry.

Integration of test and production automation into turn-key production solutions

IPTE integrates test, production and handling equipment into a *turn-key, automated manufacturing line for the electronics industry*, mainly for the production of *Printed Circuit Boards (PCBs)*. There is a trend however to also integrate the final assembly of the end product (e.g. a mobile phone) and the final test of that end product (does that mobile phone work as it should do ?) within the manufacturing line. IPTE's service also includes start-up support, training and repair and maintenance.



Automation to the benefit of the OEM's

The **benefits** for the *Original Equipment Manufacturers (OEMs)* of this far-reaching automation are : faster manufacturing throughput, elimination of operator error, optimisation of cost of ownership, reduced maintenance, increase of quality with a drive towards “zero defects”, higher productivity,... finally resulting in a higher return on invested capital.

World top players amongst the clients

IPTE's main market is the fast growing electronics business. Key target segments are the telecommunication business, the computer industry, the automotive sector and the consumer electronics industry. IPTE ranks the top names in each of these segments amongst its clients: Alcatel, Blaupunkt, Bosch, Ericsson, Flextronics, Ford, Hughes, LG Electronics, Lucent, Motorola, Nokia, Nortel, Panasonic, Philips, Thomson, SCI Systems, Siemens, Solectron and many others.

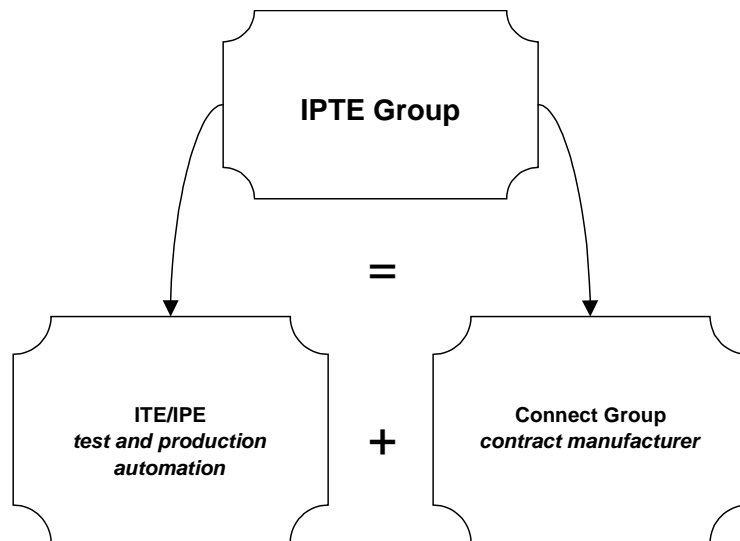
Connect Systems also ranks amongst its clients top names as Agfa, Barco, Flextronics, Honeywell, ICOS Vision Systems, New Holland, Philips, Xeikon and many others.

IPTE employed 617 people at the end of 1999

The IPTE group employed 617 people at the end of 1999 (277 with ITE/IPE and 340 with Connect Systems). 64% was employed in Belgium. 20% of the people are application engineers or are active in R&D.

Business description

The IPTE group stands for 2 business units:



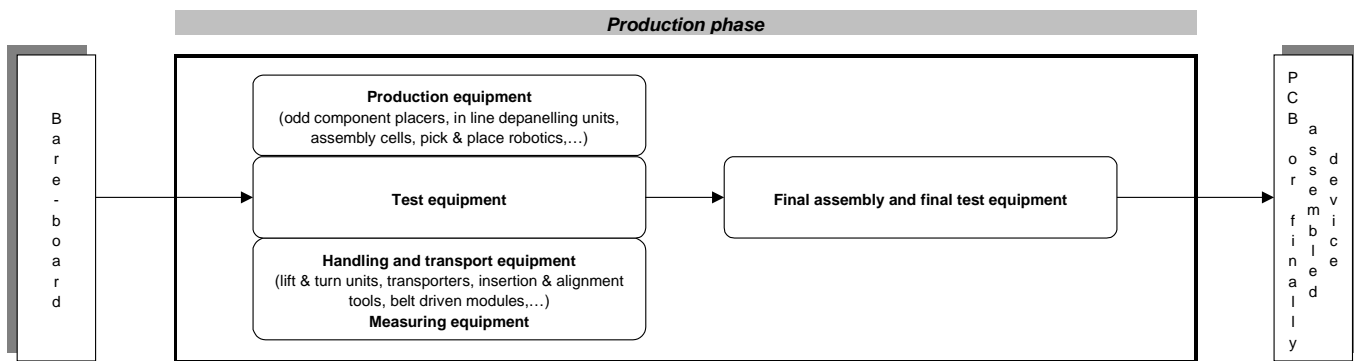
ITE/IPE : test and production automation

ITE/IPE develops and manufactures high technology test equipment and test systems for the electronics business. Test equipment, which are the building blocks of which a complete production line is made of, automates the testing phase of the material flow as it connects the *Printed Circuit Board* with the electronic testing equipment. The test system also removes defective products from the process and reports test results and process information to the production control centre. The tests are analysed automatically and the test results are displayed on screen. The repair stations monitored by computers allow for paperless repairs. The real time test data allow to respond rapidly to product defects. The advantages of automatic in-line test equipment, without having to remove the PCB from the production line for manual testing, is i.a. throughput, efficiency and “zero defects”.



IPTE originally started of in test equipment which in a first phase tested PCBs which were “under construction”. The latest trend however is that the automated production line not only produces the PCB but also assembles the end product (e.g. a mobile phone). The automated production line then has to be completed with *final test equipment* that makes sure that the device is working the way it should be.

Schematic overview of the production flow:



IPTE has its own products in *Test and Production equipment* (e.g. the *Odd Component Placer* and the *Speed Router*, which we describe below). Test and production equipment are the modules (or building blocks) of an automated production line with the higher added value and are based on high standard hard- and software. *Handling and transport equipment* (lower added value) are delivered by top-class suppliers as are the *measuring equipment*.



Pooling know how to assemble entire production lines

Having built up a thorough understanding of the test and production automation phase, IPTE now concentrates on the design and integration of complete production lines bundling its own expertise (in test and production automation in particular) with the expertise of others in the other domains. IPTE's added value stems from the fact that the group integrates all the modules into one **turn-key solution for the customer**. IPTE co-operates on a non exclusive basis with knowledgeable partners such as DigitalTest, GenRad, HP, IFR, Innovate, ITA, National Instruments, Rohde & Schwarz, Spea, Tektronix, Teradyne and Wayne & Kerr. The know how built up over the years as well as the relationships established with the major clients make it difficult for competitors to easily enter this market. On the other hand, a technology driven company as IPTE based on this kind of know-how and expertise becomes dependent obviously on key personnel.

... and not far off assembling the end products too

The business continues to expand and the industry now calls for further automation of the final assembly and final test of the end product too. Final testing however requires adaptation to the physical dimensions of the unit to be tested (e.g. a mobile phone) and specific probing techniques to verify or actuate the different functions of the products such as displays, buttons, antennae inserts and power connections. This trend however offers new possibilities for further expansion for IPTE. Only recently, the group was able to win its biggest contract ever worth EUR 8.7m (Bef 350m) for the assembly and final testing of GSM's for a major European client whose name was not yet disclosed.

To give an idea of what IPTE's products do and how they are set up, we highlight just two of IPTE's recent realisations:

The IPTE SPEED ROUTER™

Because of the miniaturisation in the PCB business, several separate (little) PCBs are often produced on one single bare-board which has to be cut in individual units afterwards. High-technology PCBs however require a precise, stress-free separation process to prevent damages. To find an answer to the problems this generates, IPE developed its own *de-panellising unit* : the **IPTE SPEED ROUTER™**.

A gripper holds the panellised boards during the cutting process and precisely locates the separated PCBs for output to carriers, handling modules or pallets. A camera verifies the accuracy between the cutting point and PCB print. The presence of a good/bad board mark can also be verified, defining the action to be taken (not-cutting the panel or separate rejected PCBs at the output station).



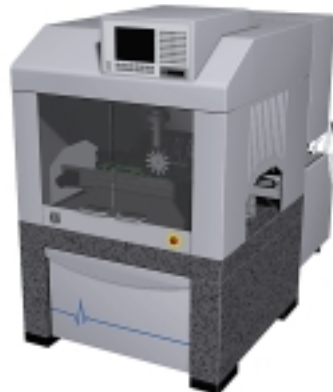
IPTE

The *IPTE SPEED ROUTER™* is controlled via a PC operating under Windows NT. Programming is easily accomplished simply by loading a file into the system and setting cutting speeds and depths. The system can also be used for programming or viewing the actual cutting process. The statistics provide information about the cutting process. The manual loading and unloading of an off-line de-panelliser is often the most economical approach for the production of small batch sizes or a high number of PCB diversity. The optional manual loading/unloading system permits the exchange of PCBs while one PCB is being de-panellised offering a cycle time reduction even in off-line mode.

The IPTE SPEED MOUNTER™

The automation of odd component placement is economically justified when a variety of components need to be placed at high production rates. Odd component placement delivers improved quality due to the elimination of human error. The flexibility of the equipment provides the automation capability of odd form components even for variable batch sizes and a number of different component shapes to be placed.

The *IPTE SPEED MOUNTER™* meets the required flexibility and high production rates of today's modern production lines. Intelligent feeder magazines, for both fixed and flexible component handling, are mounted on an accurate positioning feeder trolley end allow the exchange of a single feeder during the actual placement operation, providing increased production time. Tolerances in component feeders are automatically adjusted each time a new order has been entered or a feeder has been exchanged.



Optical marks are used to verify the position of the PCB. The *IPTE SPEED MOUNTER™* automatically corrects the placement with reference to the marks on the PCB. This permits exact placement of components without extreme tolerance requirements for the component leads and/or PCB holes.

Connect Systems : high- grade PCBs ...

Connect Systems manufactures high-grade PCBs in small to medium size runs. PCBs are i.a. used in the computer, automotive, telecommunication, instrumentation and medical industry. *Printed Circuits* are electrically conductive wiring elements which are outlined on rigid boards or a flexible material on to which various electronic components are bonded to make up and complete an electronic assembly. PCBs, the physical structures on which electronics components are mounted, therefore have a vital importance in virtually every item of equipment where electronic control systems are used. Manufacturing is divided in 5 steps : board preparation, application of conductive coatings, soldering, fabrication and assembly. Connect Systems also helps the clients in optimising the PCB design and the PCB development before manufacturing starts.

... and cable assemblies

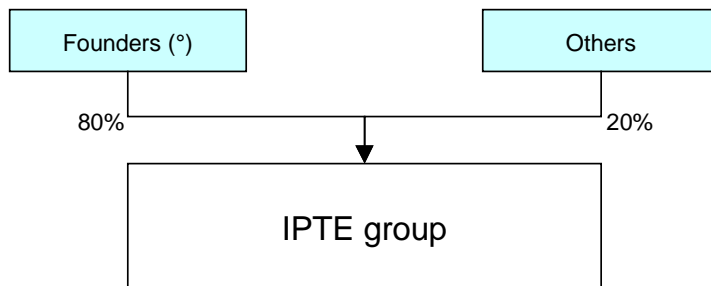
Besides the PCBs, Connect Systems also offers contract manufacturing services for cable assemblies and (complex) harness assemblies. A *cable* is an assembly of electrical conductors insulated from each other and twisted around a central core and jacketed. Connect Systems produces different custom manufactured cable and harness assemblies for molded and mechanical applications. These assemblies include multi-conductor ribbon co axial cable assemblies and discrete wire harness assemblies.

Connect Systems also assembles semi finished and finished products, i.a. for Agfa, Xeikon and BankSys.

Shareholders structure

Original founders still the majority shareholders

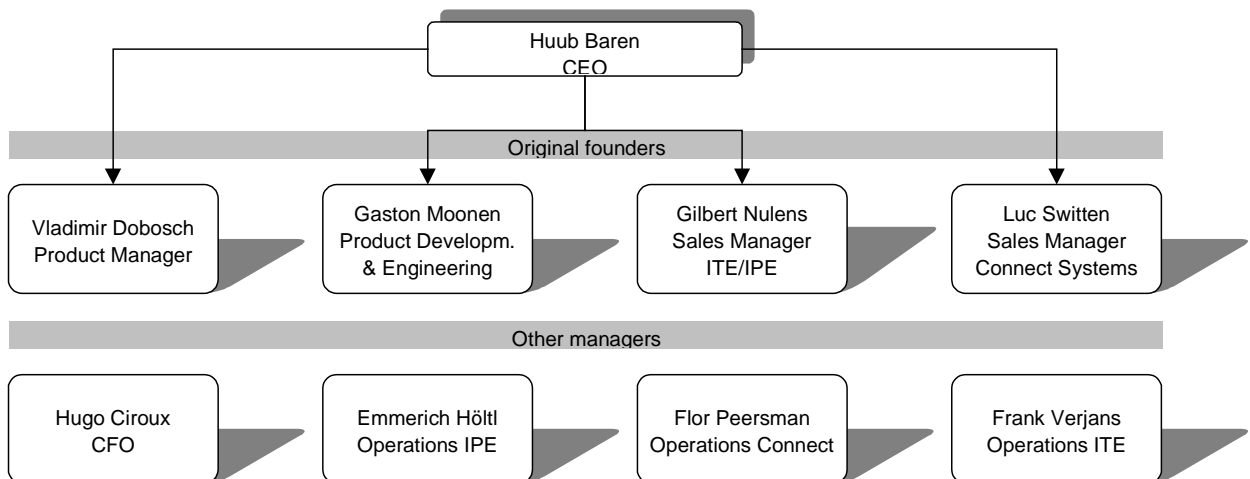
The original founders are still the majority shareholders of the company holding 80% of the shares. A few other private partners have in the mean time joined the company. They hold 20% of the company. Because the fast growth had generated extra financing needs, Parnib and Artesia granted IPTE a EUR 4.96m (Bef 200m) subordinated loan in 1999. This loan is to be converted into share capital at the occasion of the IPO. Parnib and Artesia will benefit from a 20% discount with regard to the IPO price and are assumed to hold about 4% of the company after the operation. The original founders are to be diluted but are to remain the majority shareholders.



(°) Baren, Dobosch, Moonen, Nulens and Switten

Management structure

The group is led by a 9 men strong management committee headed by the main shareholder Huub Baren. The management structure is as follows:



Marketing

International presence guarantees world wide coverage ...

As already explained, IPTE aimed right from the start at developing an international presence because the clients were mainly international groups with the same world-wide coverage.

This explains why IPTE is present in Europe, the US and Asia from where a total sales team of about 30 people actively follows up on the clients. IPTE has sales offices and is directly present in 7 countries : Belgium, France, Germany, Singapore, UK, US and Sweden. Other countries are followed up via agents or from the own regional sales office. In that way, IPTE also covers countries like Hungary, Poland, Italy, Turkey,... Singapore is the stepping stone for the complete South East Asian region (Malaysia, China, Indonesia,...)

The local sales offices are supported by the head office as far as product development and price settings are concerned. IPTE aims to become a *preferred supplier* with the major electronic firms as this gives access to a more far-reaching collaboration on the clients automation requirements.

The local sales offices are also responsible for the very important after sales service (i.a. maintenance and repair, training, service and support, spare parts,...).

R&D

Guarantee for the future ...

For IPTE it remains a prerequisite to stay on top in terms of technological innovations. To be successful in the future, IPTE will constantly have to be alert for new developments. With competition mounting, the company would very quickly be punished by the high demanding clients if they would not be able to offer high-grade solutions to their clients.

The success recorded over a very short period of time - since the start in 1992 – has proven that IPTE has in house the technological capabilities to keep responding to the ever demanding electronics industry. IPTE combines the unique knowledge of both the automation process and the production process. This makes it also difficult for other competitors to enter the industry as it requires not only a great deal of technical know-how, but also a good contact and understanding with the clients.

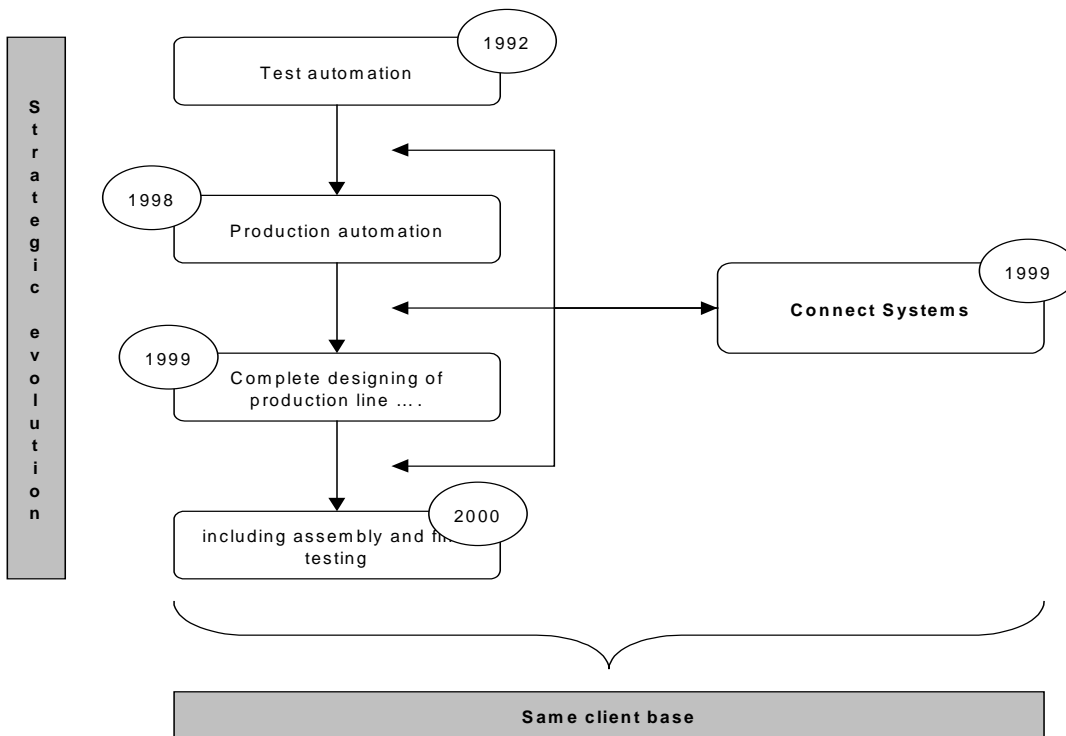
High-schooled employees ...

Out of the 617 people employed, IPTE has engaged 50 application engineers while about 71 are active in *project oriented* R&D. ITE/IPE aims to invest about 4-5% of its turnover in R&D.

Strategy

Know-how built up step by step

Since the start, IPTE has constantly been expanding its know how and technical capabilities evolving from *test automation* over *production automation* towards the designing of *completely automated production lines*. The latest step is the integration of the final assembly and final test into the production line. The clients as well as product bases are further broadened all the time. The scheme below, summarises the way IPTE has developed:



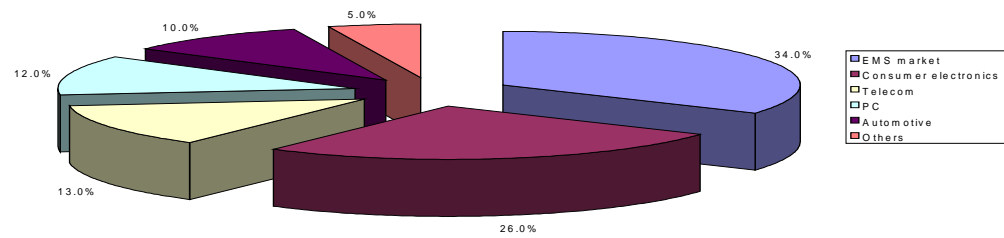
Connect Systems : again very much complementary

Connect Systems joining the group in 1999 is the latest trump card allowing IPTE again to expand the products and services it offers to the (same) electronics industry. Connect Systems strengthens the commercial power of the group as it gives IPTE the possibility to set up a *one stop shopping concept* to address the major clients. The acquisition of Connect Systems is partly also a question of vertical integration as ITE/IPE will be able to use the Connect Systems products in its own test and automation equipment while Connect Systems will be able to use the test and production systems of ITE/IPE in assembling its own high-grade PCBs.

Good spreading over sectors and clients

The aim is to further develop this successful strategic approach not neglecting the risk aspects however. IPTE deliberately keeps guard over a good spreading of its sales over a considerable number of clients. Philips is the most important client representing 20% of the sales figure but that is to be put into perspective. Philips' 20% share is represented by separate Philips' business units in different sub-sectors headed by different decision takers. In this sense, Philips is not to be regarded as a dominant client.

Unlike some of its competitors, IPTE has this advantage that it is not focussed on one particular sector. The evolution in the telecom business is such that as of today, there is great focus on the (mobile) telecom business but nevertheless, there remains a good spreading and the management is well aware of the fact that it should keep it that way.



This situation at the end of 1999 is very much to be seen as a picture on a given moment. As already said, telecom is very much on the rise for the moment, but it could well be that the situation reverses again one day.

Further expansion envisaged

IPTE’s management is also clear in its ambition to keep expanding its operations. The decisive considerations in assessing a possible *take-over* being :

1. Capability (*know how*) and capacity (*personnel*) ;
2. Complementary of products and systems ;
3. Client relations ;
4. Geographical presence.

... also internationally

IPTE wants to strengthen its presence further - in the US and Asia in the first place. From 1992 on, the company has tried to build up a global reach with a world wide coverage. We feel this was (and is) the right strategy as confirmed also recently by Frost & Sullivan¹ “sales, service and support strategies on a global scale are becoming increasingly necessary to maintain competitiveness”.

Standardisation of the products to optimise mass production

Already a few years ago, IPTE was convinced that efforts had to be made to standardise as much as possible the modules which the group developed and which were to become part of a integrated and automated production chain. It now means that IPTE is better placed than its competitors to develop new production lines efficiently. The management expects that only 20% of the current projects is tailor-made work. The balance is built up from the knowledge gained over the past few years. It also means that IPTE is best placed to offer technically advanced but price competitive solutions to its clients.

¹ Frost & Sullivan, European Automatic Test Equipment Markets, 2000

Sector analysis

The electronics industry

The electronics business : a fast grower and evolving rapidly

The electronics market, which emerged as a significant sector as a result to breakthroughs achieved in the computer industry in the 1980s and in telecommunications in the 1990s, is evolving rapidly. Certain electronic appliances, which were regarded gadgets even not so long ago, are now part of everyone's day to day live. No need to refer to the mobile phone in that respect and the speed with which it realised its breakthrough in our society.

The [r]evolution is characterised by two axes of development:

➤ *new applications and new products*

New products are introduced ...

Mobile phones, airbags, higher-grade household devices, GPS, "on board" computers for cars,... are just some of the products which have been introduced over the past few years (or should we say months) to some extent driven by the revolution in the telecom business. New products are developed faster than ever before with life cycles shortening all the time. It is remarkable to see the speed with which new products are successfully introduced on the market.

➤ *rapidly changing existing products*

While existing products change ever so rapidly

Not only are new products developed very rapidly, the technological renewals also have an impact on the existing products (hi-fi, household appliances, video, remote control,...). Hence, also the existing products have to be adopted rapidly to respond to the changing consumer demand and the new market trends in general. No need to point at the marketing strength of the bigger players in the electronics industry in that respect, which actively stimulate the replacement market.



*High volumes, price erosion, a high demanding consumer,... all call for **automation***

These trends put pressure on the producers of the electronic apparatus:

- major challenge being the need to **produce high volumes** : video, mobile phone,... are just two devices used by a growing number of people. As will be outlined below, most of the automotive "gadgets" (cruise control, GPS,...) are now becoming standard devices. High volumes however lead to the *need to automate* to assure productivity.
- competition is hard and leads to **price erosion** (cf. the evolution in the PC market where the unit price is to come down from >USD 2,000 to an expected USD 1,250 in 2003, *source* : SG Owen) . Against this background, manufacturers of electronic devices constantly look for **productivity gains** and more **efficiency** (hence *again the need to automate*). **Just in time production** is just one aspect of this problem.

- marketing wise, the wishes from the consumers are changing ever so rapidly also. The colour, weight, shape,... must be adapted rapidly if the consumer wishes so. Not only do the producers of electronic devices have to raise their production capacity faster and faster, the newly installed capacity also has to be flexible enough to adjust the products rapidly whenever needed.
- **ever more demanding consumers** : electronic devices become more complex on the one hand (smaller, lighter,... with more features) and need to be produced faster and more accurate and on the other hand. Consumers do not accept defaults so manufacturers now work under a “**zero defaults**” tolerance (guaranteed by IPTE’s products).

... as does mass production

These trends form the basis of the success of IPTE : the IPTE products allow for mass production, put great emphasis on productivity and efficiency, respect the “zero default” tolerance and are flexible in this way that a slight adjustment of the set up of the production line can change the end product.

Against this background, IPTE’s focus is for the time being on four key electronics sub-industries : telecommunication (*obviously...*), automotive , consumer electronics and personal computers (incl. peripherals). These four sub-industries are all fast growers and are rapidly changing also (need for mass production, new products with shorter time-to-market cycles, new features being introduced at a very high speed, ...).

Telecommunication

Mobile telecommunication : the driving force for the time being

Telecommunication is, under the command of the world-wide deregulation and the breakthrough of mobile communication, for the time being the fastest growing market segment. The growth in telecom is assumed to be a global one and not at all cyclical. The mobile phones and the other mobile devices continue their upward trend partly on the back of the introduction of new applications (internet, wireless communication, data communication, WAP,...). GSM penetration in particular, which grew exponentially over the past few years. is still on the rise. The market penetration in most of the European countries, on average about 40.5%, still leaves room for further expansion. *Salomon Smith Barney*, sets the maximum penetration rate in any given country at 85% and expects the global world GSM market to be saturated only in 15 years time.

A lot of people thus still have to buy their first mobile phone. But with the new applications introduced and not to loose market share, producers need to develop new products fast. This in its turn stimulates the replacement market as a lot of existing mobiles phones are already regarded outdated. Not only is a growing number of people still to buy their first mobile, the existing users start to change on to their second or even third mobile phone already.

Some figures ...

In 1999, some 283 million GSMs were sold world wide (*source* : *Dataquest*). The *GSA Association* expects this amount to more than double to reach 614 million units in 2002. *Nokia* expects that by 2004, 1 billion GSMs will be in use. *The Yankee Group* expects this figure to be reached already by 2003 (with about 60% capable of receiving wireless Internet). Mobile e-commerce is forecast to total 14 billion transactions in 2005 for a total market of USD 200 billion according to *Strategy Analytics*. The *Boston Consulting Group* expects that the on-line purchases in 2000 will rise with 85%. Under these circumstances of accelerated growth, the *automation* trend in the production of telecom apparatus is only to accelerate.

Automotive

Gadgets to become common standard

Perhaps less conspicuous, the use of electronics in the automotive industry continues to grow also. GPS, airbags, airco, cruise control, on board computers, car radio, motor and dashboard control systems and many other devices have been introduced into the vehicle. The car industry may evolve at mature growing rates, the car electronics market grows much faster as the car manufacturers are continuously looking for new applications. According to Freedonia, demand for chips in the automotive industry is to double by the year 2007 (USD 16bn in stead of USD 8bn in 1997). The attention is in particular drawn to environmental friendliness, performance and security.

What is even more important is that most of the new items which were regarded as supplementary gadgets in the past are now becoming common standard in most of the newly produced cars. This again calls for mass production and automation on which IPTE will capitalise in the future.

Some examples ...

Just to give a few examples of the desire for innovation as far as car electronics is concerned:

- *Ericsson, Volvo and Telia* (of Sweden start of a joint venture (*WirelessCar Corp.*, the name speaks for itself) to offer services to enable car manufacturers and fleet operators to send and receive information from vehicles. The joint venture will offer car-management information to fleet operators and carmakers.
- *Trafficmaster, Motorola and Blaupunkt* announced that they will offer real-time traffic information for vehicle navigation systems.
- *Scania* recently presented its “car PC”, an on board computer monitored by voice able to navigate, to call a telephone number and to send out electronic mail.
- An alliance between *Delphi Automotive Systems* and *Palm* is announced to integrate the use of the Palm Top computer in vehicles.
- *Peugeot* and *Vivendi* are to set up a joint-venture to give European car drivers access to the Internet.
- *Ford* and *Daimler* plan to offer Web access in their cars as an option from 2001 on. By the end of 2002, *Peugeot* expects that 80% of the cars will be equipped with Internet access. This also calls for mass production again as, if all new European cars were to be equipped with Web access, **the market would be 15m million units a year.**
- Driver assist features that could stop a car before its gets an accident or would allow the driver to take a nap while the board computer keeps the car on the road would require 10 times the number of chips in the car than is today the case.
- *Gentex*’ automatic dimming mirrors to the automotive industry use a combination of sophisticated sensors and electronic circuitry to detect glare from trailing vehicles and automatically darken to eliminate the glare and make night-time driving safer.

The vehicle navigation and “telematics” market, the sending of visual, text and spoken information to and from vehicles, is likely to be worth more than USD 24 billion in the US and Europe by 2004 according to Price Waterhouse Coopers.

Computers and peripherals

Penetration of PC's still on the rise

No need to explain that the use of personal computers is still on the rise. With the internet revolution, more and more households are tempted to buy their own personal computer. Not only the market of the new PC's is expanding. As technological innovations upgrade the performances of the PC's, there is also an active replacement market breaking through.

The sale of PC's rose 22% in 1999 (to 113.5m pieces). *SG Owen* expects that in 2003, more than 180m PC's are to be sold world-wide (up 60%). The latest figures from *Dataquest* learned that the sales over 1Q2000 were up 15% (to almost 30m pieces). What is also worth mentioning is that the current strong demand for PC's and peripherals was supported by demand again from Asia while also in Latin-America demand was on the way up. No need to point out that the market potential still available in the developing countries is huge.

Consumer electronics

... stimulated by the replacement market

The market for consumer electronics is to a large extent driven by the fact that old apparatus are replaced by new ones especially in the US and in Europe. In Asia and Latin America, the industry is still in a build-up phase of selling products which are already regarded common standard or outdated in the developed markets.

However, new technologies are introduced too to address the developed economies. Think of DVDs and the HDTV, the possibilities explored with speech technology in household applications... This trend has not yet stopped. Television, video recording, audio tuners, compact disc, remote control,... are just a few of the products which are upgraded continuously.

The consumer market (TV, video, hi-fi, kitchen appliances,...) is expected to rise 7% p.a. until the year 2005. Taking into account the continuous price erosions, it is fair to say that the market will grow much faster in terms of volumes.

Other markets, the medical market for instance, are expected to grow also although it is not obvious to evolve towards mass production there. We are convinced however that IPTE, keeping in touch i.a. with the EMS market (see below) will keep a close watch on the sector evolutions and will be able to respond to changes when need be.

The Automatic Test Equipment Market²

Demand for test equipment is up ...

IPTE's success is *indirectly* a result of increased demand for electronics in our every day live. The question is also to what extent this increase in demand for electronics relates to demand for *automated test equipment* and what the challenges are for those companies active in automated test equipment. The market of automated test equipment has been evolving rapidly too over the years to meet the requirements of the customers which have become increasingly demanding. As a consequence of that, test equipment has improved considerably while the range of applications has increased accordingly.

... as is demand of end-users in terms of cost and technology

In general, demand for test equipment in Europe, IPTE's operating base, has been picking up over the past 3 years on the back of high growth rates in the telecom and automotive industries. The sector trends, which naturally relate to the "keys for success" are the following:

- *Technology* is continuously becoming more complex because the electronics industry claims more complicated but smaller components with more features which are to produced faster (reducing throughput time). The production line should on top of that be easily to adjust and guarantee flexibility (to formulate an answer to the shortening of the product life cycles and the cyclical behaviour of the consumers).

² Frost & Sullivan, European Automatic Test Equipment Markets, 2000

- Higher demands from end-users in terms of *cost price* - despite the growing complexity of the products and systems.
- Growing emphasis on *software* (in stead of hardware). This offers more flexibility and is relatively easy to update. The trend towards soft-ware based solutions is set to continue in the future.
- Growing market penetration of *subcontractors*. OEMs increasingly prefer not to get involved anymore in the production and/or test phase of their products.
- Increased demand for *complete and integrated solutions*. Again, OEMs outsource as much as possible those tasks which someone else can do better.
- Higher competition which over time may lead to take-overs and consolidation.

Keys for success ...

The keys for success are the following:

- To deliver the best technical solution at a minimum cost.
- To pay great attention to related services and support activities.
- To stay on top in terms of technological developments and to work out the right solutions at the right time for the clients.
- To strive for a world wide coverage.
- To be able to respond to the clients needs fast.
- To develop integrated, flexible and complete solutions for the end-users, if necessary by forming alliances with partners which can add value to the solution which you want to propose.
- To target the most lucrative segments of the electronics market.

IPTE is responding sharply to the electronics industry's needs

IPTE is in our opinion responding accurately to the latest sector developments and is well placed to be successful in the future. The company is active world-wide and is aware that it should look for further expansion in particular in the US and in Asia. IPTE is constantly looking at developing new products and technologies - at present focussing for instance on the integration of final assembly and final testing. By integrating its own and third party modules in tailor-made solutions, it responds to the needs of i.a. the *OEMs* which increasingly outsource the production and test phase of their products. Its software based applications make it possible to make the production line as flexible as possible. In terms of cost price, IPTE will in the future benefit from the standardisation of its products. IPTE, better streamlined in that respect, is able to react more rapidly to its clients' wishes.

The EMS sector

Capitalising on the outsourcing trend in the electronics industry

More and more, the production of electronic devices is outsourced to the so called EMS or *Electronic Manufacturing Services* companies. It is a trend which started off in the early 1980s to meet the demands of the emerging PC business. Originally, the EMS companies provided limited manufacturing services and were a simple extension of their customers' factories. Today however, having specialised in the high volume production of electronic devices, they are full service contract manufacturers which offer their customers a wide range of manufacturing and management services on a turnkey or consignment basis. EMS companies may take care of design prototyping, material procurement and control, concurrent engineering services, manufacturing and test engineering support, statistical quality assurance and complete resource management.

Continuing rush to outsource

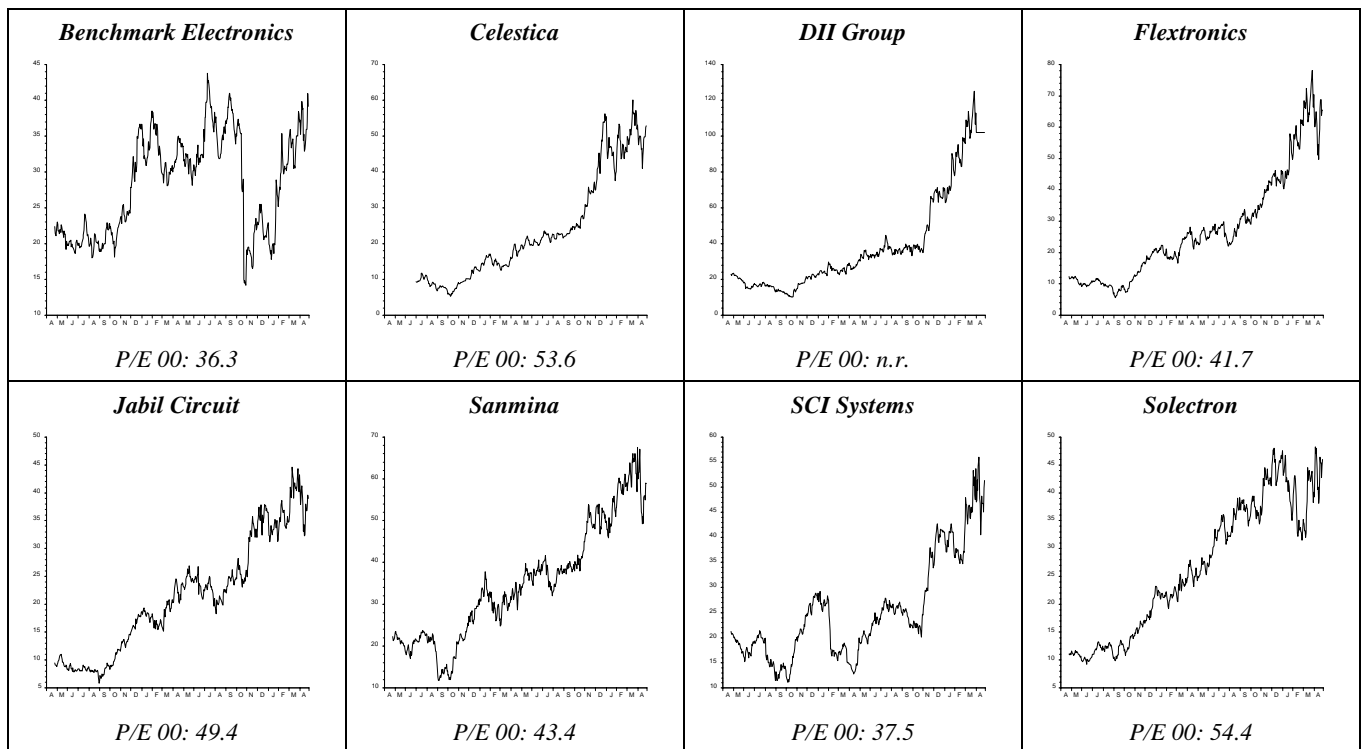
The EMS companies allow the *Original Equipment Manufacturers* (or OEMs) to focus on their core competence in R&D, product design, product technologies and marketing

and sales and at the same time reduce the “time-to-market” for their products and lower their capital investments. They guarantee the most efficient production and offer greater flexibility in responding to the new market demands. EMS companies often take care of the (“just-in-time”) logistics delivering the products no matter where on the globe. Many OEMs consider the EMS service companies as an extension of their own production facilities. On top of that, the EMS companies are also ideally placed to follow up on technological developments. New technologies are rapidly introduced again to the advantage of the return on capital of the OEMs.

Growth of >20% p.a. expected

Market watchers believe that this industry will keep growing. According to *IEC Electronic Services*, the EMS market is worth USD 60bn and is growing with 20% each year. The market according to *IEC Electronic Services* is to more than double between 1997 (USD 73bn) and 2001 (USD 178bn). *IEC Electronic Services* expects that by 2001, 52% of the PCB assemblies are to be outsourced. *Technology Forecasters* also expects the EMS market to grow by 20% p.a.

This trend has been appreciated by the stock market also as major EMS companies, mainly Americans, are listed companies and are very well valued :



Striving to become a “preferred supplier” of the EMS companies

IPTE is well placed to benefit from the trend in the EMS market. The group holds good relationships with the major EMS companies. Flextronics e.g. stands for 16% of IPTE’s turnover. Via the EMS companies, IPTE can also hold a close watch on the sector trends as the EMS companies normally do not focus on one particular sector. Furthermore, collaboration with the EMS companies is of use for IPTE’s engineering people keeping contact with the latest technological developments.

Perhaps not entirely to the advantage of IPTE, is the fact that the EMS companies regularly buy automated test and production lines from electronics manufacturers. The production lines, which are not necessarily using IPTE material, are integrated within the EMS organisation. In a number of case, it may lead to the IPTE equipment losing market share.

The success of the EMS companies is not to be halted yet. The share of the EMS companies in the total production cost amounts nowadays 17% but is to rise to 75% in 2020 according to *Donaldson, Lufkin & Jenrette*. The major EMS companies keep expanding. Flextronics recently took over DII Group (creating the n° 4 in the EMS business in terms of global revenues of USD 3.8 billion) and the Swedish contract manufacturer Qcom AB (February 2000) and is investing in Eastern Europe. It is in a first phase to build a 15,000m² production facility near Gdansk, Poland. The facility should be ready by November this year. Flextronics, which is already present in Hungary too, also looks to further expand in the Czech Republic. The aim is to reduce the production and transportation costs in the region.

Solectron is the n°1 in the EMS business (sales of USD 14 billion) which recently acquired assets from i.a. Trimble and Ericsson. Solectron recently also acquired NULOGIX and SMART Modular Technologies.

Sanmina took over assets from Alcatel and Harris Corp.

The Connect Systems group

The Connect Systems market is a more mature market with slower growth rates. The leverage is however partly to come from the integration of Connect Systems into the IPTE organisation which will partly be a vertical integration. Connect Systems will use IPTE material to produce PCBs and IPTE will use Connect Systems cables and cable assemblies to manufacture test and production equipment.

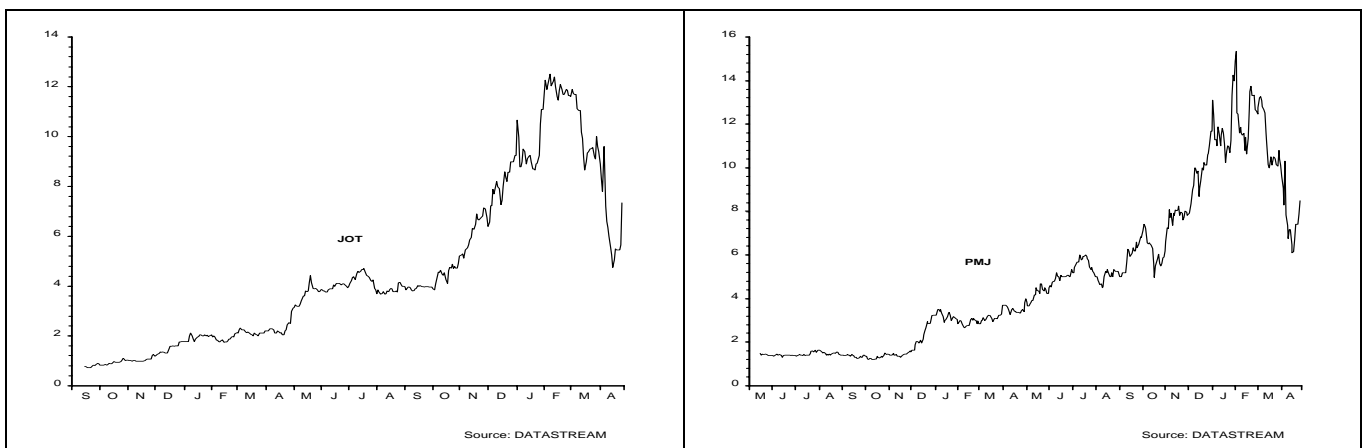
Connect Systems seeks to pro-actively participate in the customers’ product design and development stage to provide value-added inputs on design for manufacturability and testability, relating mainly to PCB layout and the choice of components.

Competitors

2 main Nordic competitors

IPTE has two major both listed competitors in the Nordic : *JOT Automation Oyj* and *PMJ automec Oyj*. Both have made their success on the back of the boom in telecommunication business. JOT is e.g. very much depending upon Nokia Oyj as the latter stood for about 2/3ths of sales in 1998. JOT’s share price evolution is therefore very much linked to Nokia’s share price evolution.

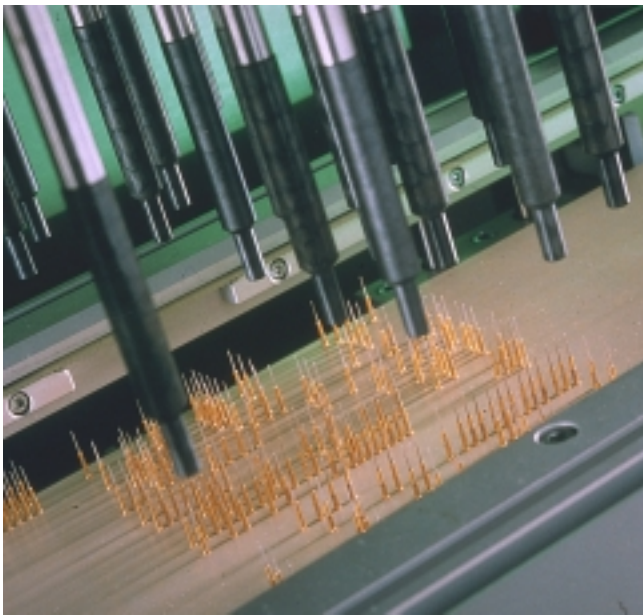
Only recently, JOT tried to take over PMJ but the proposal was rejected by PMJ’s board. The offer when it was announced valued PMJ at EUR 388m. On the basis of the current estimates (source : I/B/E/S), this means that JOT was willing to pay 87x the profit estimate for 2000 (46x times the profit expected for 2001) and 55x the expected cash flow for 2000 (35x the expected cash flow for 2001).



Both JOT and PMJ have been valued aggressively until recently when technology driven stocks suffered from an important price correction. JOT's offer valued PMJ then at 46x earnings estimate 2000 (24 times 2001) and 29 times cash flow estimate 2000 (19 times 2001).

JOT had also to send out a profit warning recently. The EBIT margin would be 11% over 2000 in stead of 15% projected earlier. We believe that this may have to do with the fact that JOT has been focussing heavily on the telecom business and on expansion in the Nordic countries in particular. The build up of an international sales network will negatively influence profitability. Remember that IPTE has already the sales network in place and is not depending upon one major sub-sector or client.

Still both shares are very much appreciated by the stock market. P/E of 53x for JOT over 2000 (32x over 2001) and a P/E of 50x for PMJ over 2000 (26x over 2001).



Historic financial figures

Profit and loss statement

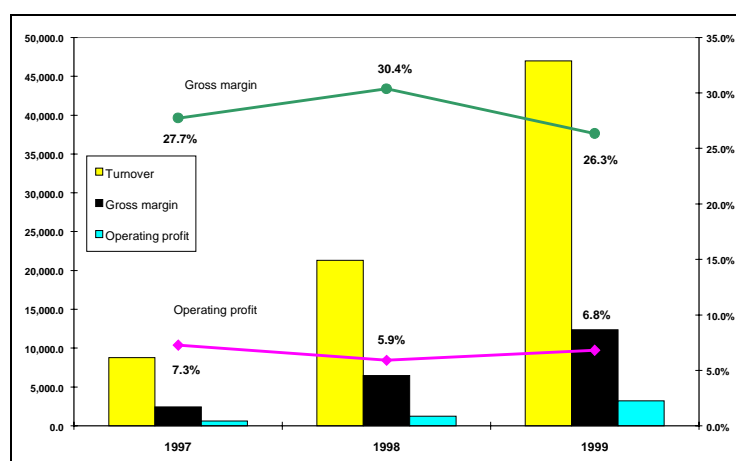
Spectacular sales growth throughout the years

As already pointed out, IPTE was up to a very quick start right from the beginning and since 1992 has almost doubled its turnover every year (CAGR of 97%). In 1999, turnover was again up 120% reaching EUR 47.0m. Without the acquisition of Connect Systems in August 1999, Sales would still have been up a remarkable 45%.

This strong organic growth is mainly the result of the efforts made over the recent years to gradually expand internationally. Not to neglect also are the R&D efforts which step by step have extended the product portfolio and which are now bearing their fruits. The gradual standardisation of the product portfolio is also contributing favourably.

Financial reports according to IAS rules

The financial figures are drawn up under the *International Accounting Standards* and refer to 1997, 1998 and 1999 although only 1998 and 1999 have been reviewed by the (new) auditor in charge (Arthur Andersen). Arthur Andersen did not review the entire group and for certain subsidiaries (accounting for about 35% of sales and assets), based its opinion upon the audit reports from its foreign colleagues. Arthur Andersen, appointed only in 1998, also formulates a reservation as to the 1998 Profit & Loss statement as they were not able to verify the *stocks* per 31 December 1997.



In 1999, Connect Systems accounted for 34.2% or EUR 16.1m of the consolidated turnover. ITE/IPE stood for EUR 30.9m. In 2000, we expect both ITE/IPE and Connect Systems to contribute 50% each to the consolidated figures but as will be described below, it is assumed that the share of ITE/IPE in the group's turnover will gradually rise.

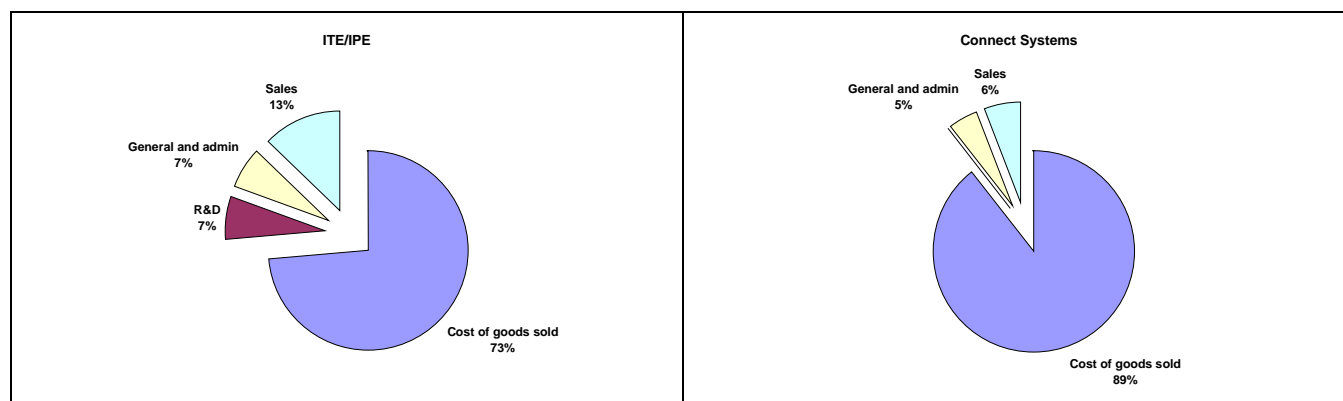
IPTE has a very good spread:

- As to sectors: the most important sectors are the telecom business (32%) and the computer industry (38%); automotive, consumer electronics and others account for 21%. No sector is therefore dominant. These percentages have to be put even more into perspective taking into account that IPTE has also a good spread geographically (with 75% of the ITE/IPE sales made abroad).
- As to clients: the most important ITE/IPE clients are *Philips* (20%) and the EMS company *Flextronics* (16%). However, the ITE/IPE products are sold to different business units acting independently. Losing out on one particular Philips client would not mean that ITE/IPE is to lose 20% of its sales figure. Connect Systems has no dominant clients at all.

Volatile operating margins

Sales grew year after year but seemingly, gross margin and operating margin are/were subject to volatile up and down fluctuations. This requires a word of explanation:

- The 1999 gross margin and operating margin are not to be compared with the previous years. The cost structure of Connect Systems, consolidated from 1 July 1999 on, is totally different. Connect Systems has traditionally a lower gross margin but a higher EBIT margin because the Sales costs and General & Administrative costs are lower resulting in a better operating margin. Connect Systems does not charge any R&D costs against its P&L neither:



The overall influence on the margins is considerable:

In EUR millions	1998	1999			
	ITE/IPE	IPE/ITE	Connect Systems (°)	Consolidation Goodwill	Consolidated
Turnover	21.3	30.9	16.1		47.0
<i>% of total</i>	<i>n.a.</i>	65.8%	34.2%		100.0%
Gross margin	12.4	9.6	2.8		12.4
Gross margin %	30.4%	31.0%	17.4%		26.3%
Operating profit	1.3	2.1	1.5	-0.4	3.2
Operating profit %	5.9%	6.9%	9.1%		6.8%

(°) consolidated from 1 July 1999 on

Comparing ITE/IPE to its main competitors, taking the Finnish groups JOT and PMJ as a reference, one will witness that ITE/IPE has some way to go in terms of operating profitability:

	ITE/IPE	JOT (°)	PMJ (°)
Sales	100%	100%	100%
EBIT %	6.9%	15.9%	9.1%

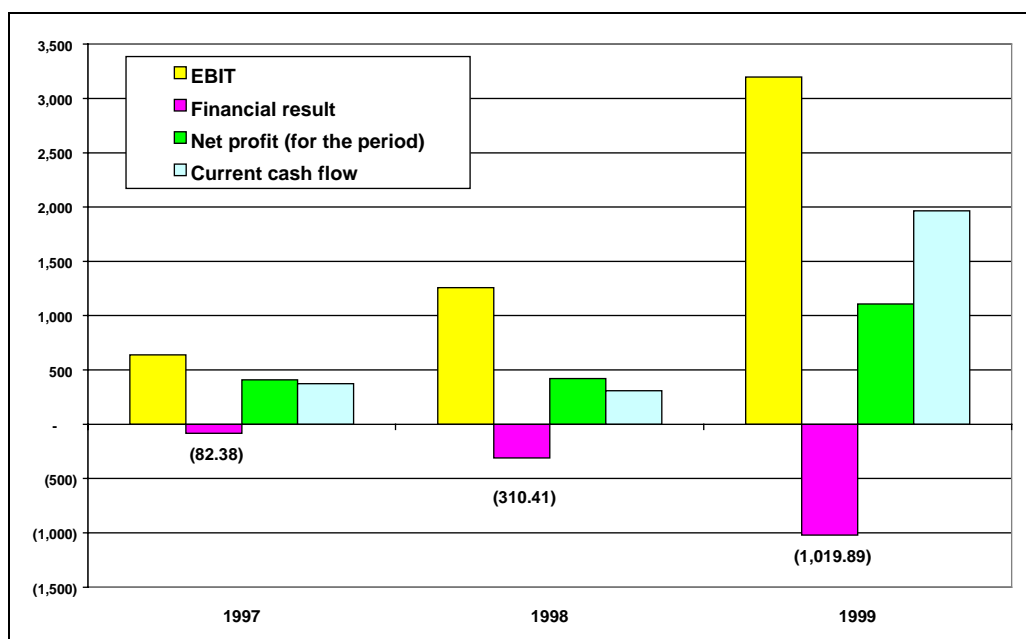
Source : Bloomberg, (°) 1998 figures

A few remarks however:

- IPTE has in the recent past been working on its expansion both in terms of sector coverage and on its international expansion. This had a negative influence on the group's short term profitability.
- Without the Connect Systems group, the gross margin would have been slightly up (31% in stead of 30.4% at the end of 1998!). The operating margin would have been up from 5.9% to 6.9%! The R&D efforts made in the past to standardise the product portfolio are bearing their fruits. If mass production is to become the key

element in the electronics business, it will be necessary in order to guarantee profitability, to base the integrated solutions offered to the clients as much as possible on standardised modules. IPTE schedules that at this moment 80% of a completely integrated line are adjusted but existing elements, while only 20% is tailor-made work.

- JOT, with its main client Nokia, recently launched a profit warning stating that the EBIT margin this year would probably come down to 11% (in stead of 15% expected). The “11%” is above the margin which came out of our business model which we describe see below.



Bottom line result “part of the group” is up (EUR 1.1m in stead of EUR 0.4m) as Connect Systems already added to the operating profit (EUR 736,244). The financial result deteriorated however because of the debt financing of the Connect Systems acquisition. The scheduled capital increase is to restore the situation.

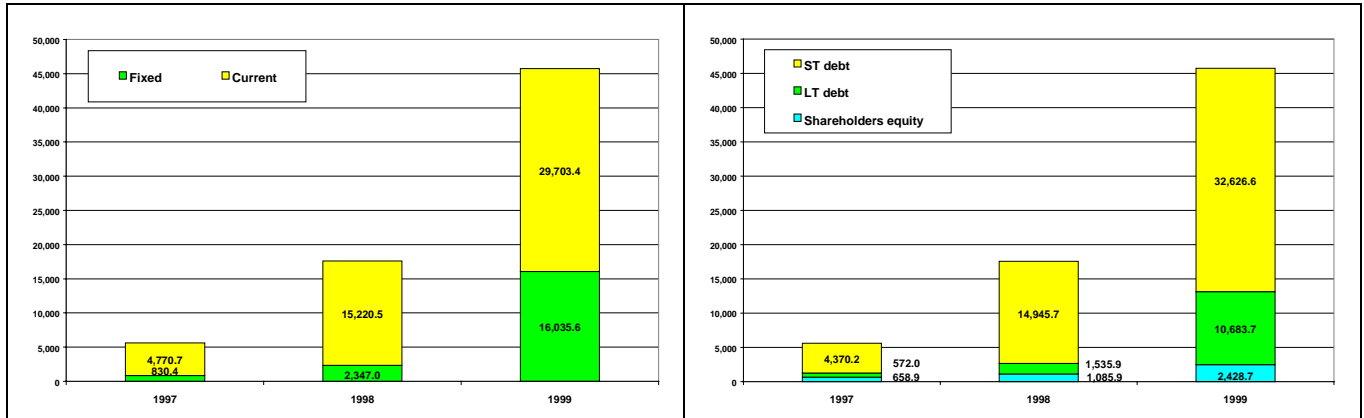
In terms of profitability, no need to explain that *Return on Equity* (295%) was extreme but neglects the financial risks currently associated with the highly leveraged balance sheet structure (although debt coverage has never been a problem).

Balance sheet

Weak balance sheet structure

The fast growth has taken its toll on the level of the balance sheet. *Solvency* has come down remarkably by the end of 1999 (5.3%) because the expansion was systematically financed with debt (cf. the subordinated credit facility granted in 1999 by Parnib and Artesia).

The cash flow from financing activities was positive (“*source of funds*”) for EUR 15m (EUR 5.9m in 1998) while the cash flow from operating activities (inclusive working capital changes) absorbed EUR 0.5m. In these circumstances, the net debt position unfortunately had to deteriorate (EUR 28.4m in stead of EUR 7.4m). The balance sheet structure is therefore weak:



Working capital needs to be managed more efficiently ...

What is remarkable (and in our view also weighing on IPTE’s profitability) is the amount of funds immobilised in *working capital*. The current assets (less cash & cash equivalents) made up 62.4% of the balance sheet total at the end of 1999. This is mainly financed with short term financial debt (EUR +10.2m). The operating working capital makes up 35% of the balance sheet total which is high in our view. All this is obviously related to the project driven character of IPTE’s business. Before a project leads to an inflow of funds, IPTE has to make the costs necessary to get it started. Seemingly this is only partly offset by prepayments from the clients. We feel however that a better project management and stricter follow up of the project costs should allow IPTE to do better here. The arrival of the new CFO in November 1999 and the streamlining of the financial reporting should generate benefits in that respect.

Consolidation goodwill

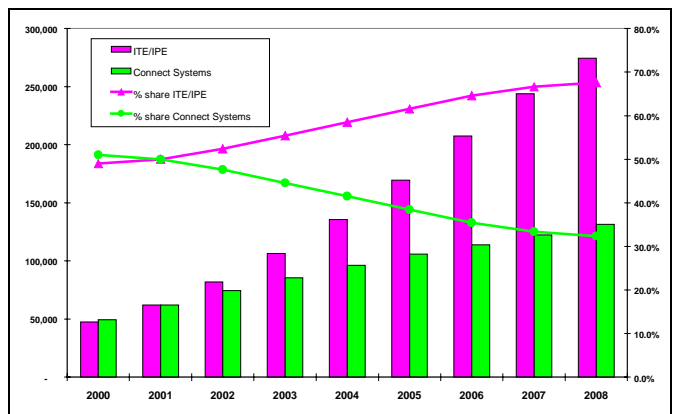
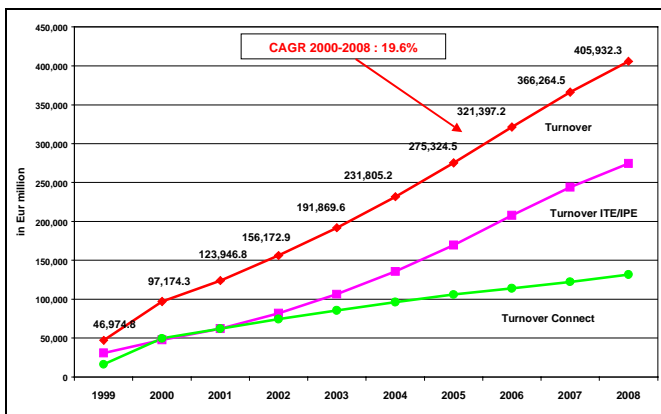
The consolidation goodwill, associated with the take-over of Connect Systems amounts to EUR 7.9m and will be depreciated over a 10 years period which seems reasonable.

The business plan

Profit and loss projections

ITE/IPE to grow faster than Connect Systems ...

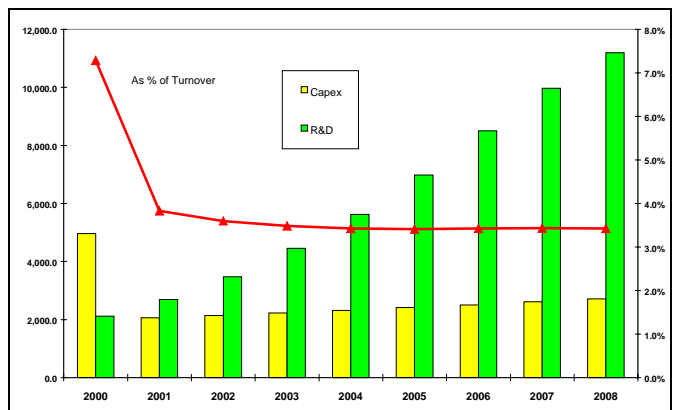
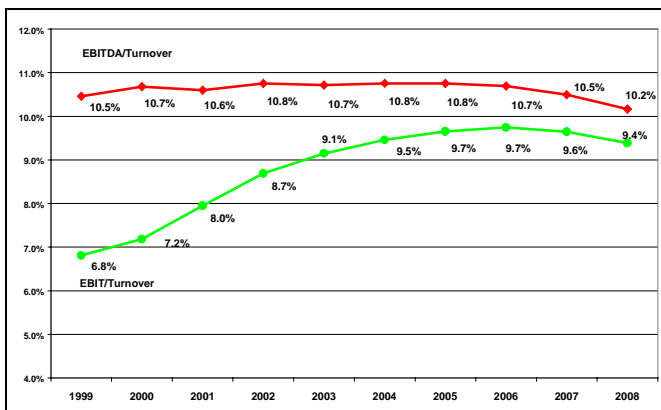
The market for automated test equipment develops globally in line with the use of integrated circuits and printed circuit boards. As strong growth rates are projected for the electronics industry, we have assumed solid rises in turnover for the years to come for ITE/IPE (+/- +30.0% p.a. until 2003 gradually declining afterwards, CAGR of 24.5% over the forecast period 2000-2008). The Connect business is a more mature business with slower growth rates albeit that the integration within the IPTE organisation could accelerate growth: For Connect Systems too, we have assumed that the growth rate steadily declines towards the end of the forecast period (+7.5% in 2008 and CAGR of +13% over the forecast period). The following graphs sum up our assumptions and **do not take into account any future external growth**:



ITE/IPE is expected to make up approximately 2/3^{ths} of IPTE's business by end of the forecast period (2000-2008). The CAGR for the sales figures over the forecast period amounts to only 19.6%. We regard this reasonable for a growth oriented group which since 1992 has doubled its sales figures every year. The projections do not take into account any external growth.

Operating margins to ameliorate

The preceding years, IPTE has been investing in its international expansion and in R&D to develop new products and to standardise existing products. This has caused the operating margins to be lower than what could be expected looking e.g. at comparable companies. We have assumed that IPTE will in the future be able to steadily improve its operating margins. This trend was already witnessed over 1999 (see above). The improvement slows down further down the forecast period. Because prudence is in order, the ultimate margins which we project still compare favourably with the margins e.g. of some of the competitors.

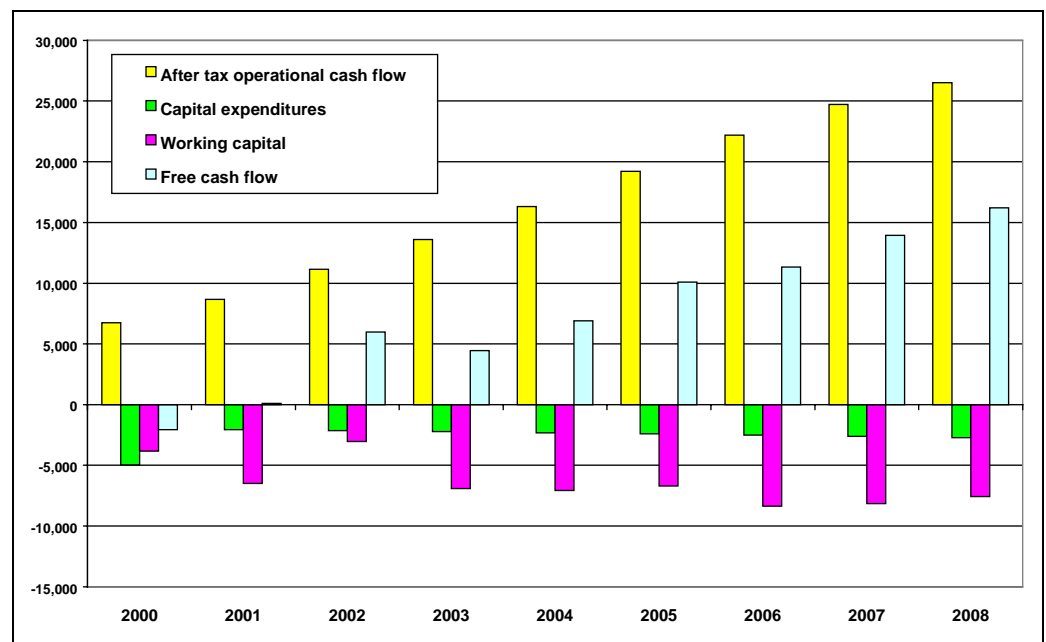


Our calculations foresee a gradual improvement of the EBITDA margin up to 10.8% in 2005. The EBIT margin however improves more rapidly and amounts to 9.7% in 2005. This needs some explanations because the non cash items seem to decline over time. Reason for that is that :

- As a *technology driven company* IPTE foresees to invest little in “**material fixed assets**” (EUR 2m per annum + adjustment for inflation). This is logic because this year, the group will move into its new building (EUR 2.5m investment) which should enable it to continue its expansion without any new major projects.
- **Research and Development.** Under IAS however the R&D costs are most often charged against P&L unless the nature of the costs (project related) make it possible to activate them under IAS 38. We have assumed however that IPTE will charge the costs against P&L over the entire forecast period. The level of R&D costs is set at 4% of the ITE/IPE turnover (comparable with what we found with the competitors). As a consequence of that, the margin between EBITDA and EBIT narrows. It is not to be excluded however that in the future, insofar the R&D are clearly project driven, IPTE activates R&D costs and depreciates them over a number of years. This would influence the ratio EBITDA/EBIT albeit that the Capex should accordingly include the activated R&D costs.

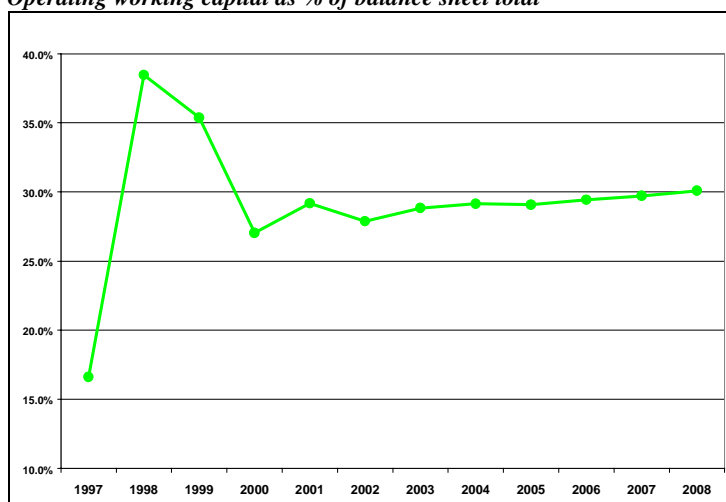
Discounted cash flow valuation

Our DCF approach leads to the following free cash flow scheme:



The free cash flow is to stay negative for another year and is to break-even next year mainly because of further investments in fixed assets (i.a. the new building of EUR 2.5m this year) and extra working capital requirements. The calculations do not take into account any capital gain on the building in Houthalen from where ITE/IPE is now active which is to be sold as soon as the group has moved into the new building (June 2000) and did not take into account any deferred tax assets on the losses made in the US and Germany.

On the other hand the assumptions may seem aggressive on the level of the working capital requirements.

Operating working capital as % of balance sheet total

We believe however that IPTE should be able to reduce the funds invested in working capital. Under the command of the new CFO, measures have already been taken to better follow up on projects, project costs and management of the working capital.

We have discounted the free cash flows using the following parameters:

- Cost of equity : 10.8% - based on a risk free rate of 5.6%, a beta of 1.3 and a risk premium of 4% ;
- Cost of debt : pre tax of 7.5%
- Equity/Debt : 80%:20%
- WACC of 9.6%
- Perpetual growth : 2%

This generates a **post money DCF value of EUR 132.1m** taking into account a capital increase of Bef 1.06bn (EUR 26.3m). This yields a value per share of **EUR 24.9** (based on 5.3 mio shares taking into account that Parnib/Artesia will convert their EUR 5.0m (Bef 200m) subordinated loan with a 20% discount).

Sensitivities

We have checked upon the sensitivity of this value for adjustments in the parameters :

Risk free rate

The calculations show the following sensitivity to the risk free rate:

	5.0%	5.2%	5.4%	5.6%	5.8%	6.0%	6.2%
Value per share	27.9	26.8	25.8	24.9	24.0	23.1	22.3
Upside/downside potential	+12.0%	+7.6%	+3.6%	+0%	-3.6%	-7.3%	-10.4%

WACC

The WACC has to following impact:

	8.4%	8.8%	9.2%	9.6%	10.0%	10.4%	10.8%
Value per share	32.9	29.9	27.1	24.9	22.6	20.6	18.8
Upside potential	+32.1%	+20.1%	+8.8%	+0%	-9.2%	-17.3%	-24.5%

Perpetual growth

We have assumed a 2% perpetual growth which is quite low given the opportunities in the business and given IPTE's track record over the recent past.

	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
Value per share	20.5	21.8	23.3	24.9	26.8	28.9	31.5
Upside potential	-34.1%	-30.0%	-25%	0%	+7.6%	+16.1%	26.5

Although it is difficult to comment on the particular parameters used, we feel that we have been particularly prudent as far as perpetual growth is concerned (only 2%). This leaves us to believe that if IPTE can continue its growth story, or even accelerate it as external growth has not been taken up in the plan, an important upside in the value is very much possible.

Dividend discount valuation

Although the company suggests that no dividends will be declared against the background of continued growth, we have assumed *pro forma* that the company was to pay out a dividend taking into account a 25% pay out ratio. We used these assumption to verify the DCF Model by an adjusted and *pro forma* DDM model.

We have assumed that an investor will be able to sell his shares at 15 times (low !) the projected net earnings for 2008 (= at the end of the forecast period).

The DDM value generates a value of EUR 156.3m (or EUR 30.9 per share taking into account 5.0m shares after the IPO).

Multiples valuation

We have selected three types of peer groups to compare their market values with the DCF valuation based and the business plan:

- **Technology firms** listed on BXS and on Easdaq : Agfa, Artwork Systems, Barco, EVS, Global Graphics, IBA, Icos, Iris, Punch, Systemat, Telfinfo, Xeikon
- Comparable companies
 - * **ITE/IPE group** : Asyst Technologies, ATS Automation Tooling Systems, Brooks Automation, Credence Systems, Cybernetix, Dialog Semiconductor, DT Industries, Gerber Scientific, Genrad, JOT, LKT Industrial Berhad, Orbotech, PMJ, PRI Automation, Tektronics, Teradyne
 - * **Connect Systems group** : Aspocomp, Cable Design Technologies, Critchley Group Esterline Technologies, Leoni, Maxim Integrated Circuits, Neways, Volex
- **EMS companies** : Benchmark, Flextronics, Jabil, Sanmina, SCI Systems, Solectron

The P/E and the P/CF multiples for the forthcoming years are the following:

		P/E00	P/E01	P/E02	P/CF00	P/CF01	P/CF02
Technology driven companies		26.5	20.3	14.8	15.7	13.2	12.0
	<i>Easdaq</i>	27.5	19.7	11.1	15.9	11.7	11.0
	<i>BXS</i>	26.0	20.5	16.1	15.6	13.6	12.2
Comparables		33.7	20.8	20.7	22.0	15.9	14.0
	<i>ITE/IPE</i>	39.9	22.2	24.2	31.7	21.1	17.6
	<i>Connect</i>	22.3	18.3	13.6	9.1	9.0	10.5
EMS companies		42.8	31.7	35.2	n.a.	n.a.	n.a.

Applying these multiples to our business plan, we get to the following valuation range : **EUR 131.4-158.3m or EUR 24.7-31.5 per share.**

Beware that in applying the cash flow multiples, we have assumed that IPTE would each year activate and depreciate 50% of the R&D costs (4% of the ITE/IPE turnover).

As already explained, this is a reasonable assumption as under the IAS accountancy rules, activation is possible insofar the costs are very much project related. Although this does not change anything to the free cash flow (and the DCF value), the bottom line cash flow was negatively influenced by not activating the R&D costs (and lead to a unreasonable low value).

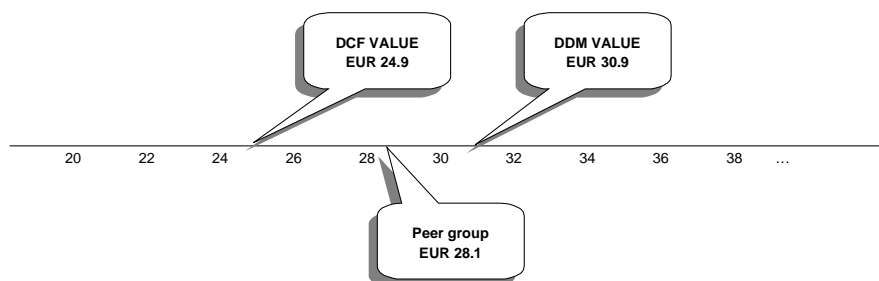
Summary

Value range of
EUR 24.9-30.9

Taking into account the different approaches, we come up with the following value ranges :

- DCF : EUR 24.9
- DDM (pro forma) : EUR 30.9
- Peers (pro forma) : EUR 24.7-31.5 per share (EUR 28.1 on average)

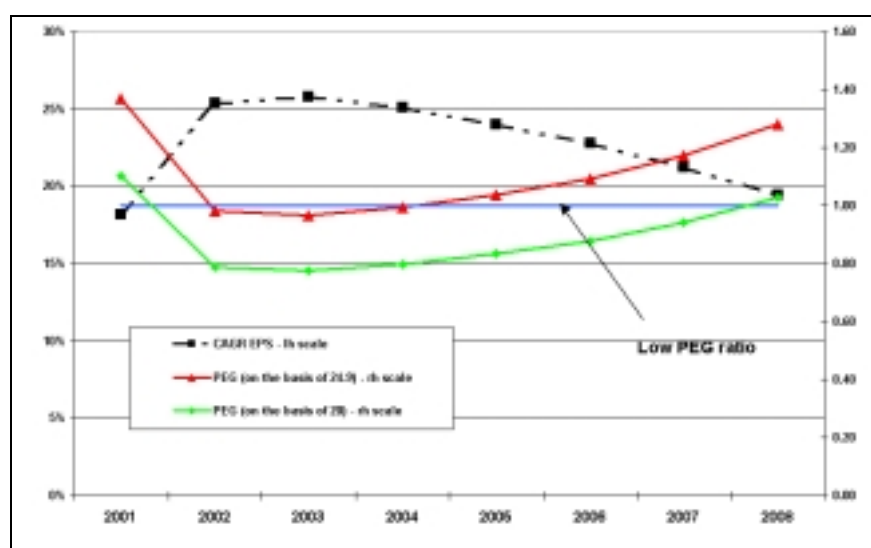
Schematically:



A EUR 22 per share IPO price leads to the following multiples:

	2000	2001	2002
P/E	23.5	19.3	14.0
P/CF	17.9	16.1	12.4
EBITDA/EV	11.7	9.3	7.1

It is worth pointing at the PEG ratio to which our DCF valuation leads :



In the assumption of a EUR 24.9 IPO price, the PEG turns “1” only in 2005! If the IPO price was only EUR 20, the PEG would hardly turn “1” over the forecast period.

Opportunities and threats

Strengths and opportunities have in detail been discussed above. We would like to point out at some of the risk elements related to investing in IPTE:

- *Technological leadership is a necessity* : the market of test equipment is evolving rapidly, trying to meet the requirements of the demanding end-users. Remaining up-to-date on the market's intense competitive environment and gaining insight into its market and technological trends are of utmost importance if IPTE wants to succeed in the future. A company that cannot match or surpass its competitors in terms of price, quality, value for money, performance and service is likely to lose considerable market share.
- *Project driven business* which can lead to a more volatile revenue stream
- Depending on key personnel while the current job market currently witnesses a shortage in technology oriented highly-skilled people;
- *EMS producers buy assets on the back of the outsourcing trend* ... these assets do not necessarily make use of IPTE's products. This continuing trend may cause IPTE to lose market share indirectly.
- *The electronics industry is a very competitive one* and the electronics manufacturers feel the constant urge to reduce their costs. This leads to a continuous reduction in unit prices (cf. PC and peripherals, GSM's,...). This may over time have an impact on IPTE's profit margins insofar end-users get the feeling that the cost of e.g. test and production equipment should come down too.

<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> - to capitalise on the fast growth of the electronics business - possibility to expand further internationally - profit and cash flow potential 	<ul style="list-style-type: none"> - less integrated than some of the competitors - competitive industry - fierce competition may lead to price reductions - technology and project driven business - need to deliver high quality

<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> - synergies between the 2 business units - not dependent on any major sector or client - world wide presence - not cyclical - high entry barriers 	<ul style="list-style-type: none"> - current profitability - dependence on key personnel - strong growth is to be kept manageable

Financial projections

Income Statement

EUR million	1997	1998	1999	2000	2001	2002	2003
Turnover	8,790.4	21,312.1	46,974.8	97,174.3	123,946.8	156,172.9	191,869.6
<i>% growth</i>		142.4%	120.4%	106.9%	27.6%	26.0%	22.9%
EBITDA	n.a.	n.a.	4,914.3	10,377.7	13,140.1	16,797.2	20,559.3
<i>% of sales</i>			10.5%	10.7%	10.6%	10.8%	10.7%
Depreciation			-1,715.3	-3,396.3	-3,286.3	-3,221.9	-3,004.7
<i>% of sales</i>			-3.7%	-3.5%	-2.7%	-2.1%	-1.6%
EBIT	638.3	1,257.7	3,199.0	6,981.5	9,853.8	13,575.3	17,554.6
<i>% of sales</i>	7.3%	5.9%	6.8%	7.2%	8.0%	8.7%	9.1%
Financial result	-82.4	-310.4	-1,019.9	-621.9	-565.8	-531.8	-499.9
<i>% of sales</i>	-0.9%	-1.5%	-2.2%	-0.6%	-0.5%	-0.3%	-0.3%
Exceptional result	20.4	-179.1	-10.6	0.0	0.0	0.0	0.0
Taxes	-166.5	-345.8	-1,061.4	-2,717.9	-3,830.7	-5,257.8	-6,782.0
Net profit (for the period)	409.8	422.5	1,107.2	3,641.7	5,457.3	7,785.7	10,272.7
<i>% of sales</i>	4.7%	2.0%	2.4%	3.7%	4.4%	5.0%	5.4%
Dividend	0.0	0.0	0.0	910.4	1,364.3	1,946.4	2,568.2
<i>% of net profits</i>							
Retained earnings	409.8	422.5	1,107.2	2,731.3	4,093.0	5,839.3	7,704.5
<i>% of sales</i>	4.7%	2.0%	2.4%	2.8%	3.3%	3.7%	4.0%
Current net income before GW	389.4	593.6	1,513.4	4,433.7	6,249.3	8,577.7	11,064.7
<i>% of sales</i>	4.4%	2.8%	3.2%	4.6%	5.0%	5.5%	5.8%
Current net income after GW	389.4	593.6	1,909.7	5,226.4	7,042.1	9,370.4	11,857.4
<i>% of sales</i>	4.4%	2.8%	4.1%	5.4%	5.7%	6.0%	6.2%
Current net cash flow	371.9	309.0	1,967.2	6,041.1	7,755.0	10,023.5	12,483.9
<i>% of sales</i>	4.2%	1.5%	4.2%	6.2%	6.3%	6.4%	6.5%
Average number of shares ('000)	4,000.0	4,000.0	4,000.0	4,652.1	5,304.2	5,304.2	5,304.2
EPS	0.10	0.15	0.38	0.95	1.18	1.62	2.09
CFPS	0.09	0.08	0.49	1.30	1.46	1.89	2.35
Dividend per share (gross)	0.00	0.00	0.00	0.20	0.26	0.37	0.48
Dividend per share (net)	0.00	0.00	0.00	0.15	0.19	0.28	0.36

Balance sheet

EUR million	1997	1998	1999	2000	2001	2002	2003
Fixed assets	830.4	2,347.0	16,035.6	17,405.7	16,160.7	15,101.8	14,191.1
Current assets	4,770.7	15,220.5	29,703.4	58,813.8	75,404.0	94,787.3	117,483.4
<i>of which cash & cash equivalents</i>	1,048.5	863.9	1,152.7	3,223.5	1,498.1	4,924.5	6,260.2
Balance sheet total	5,601.0	17,567.5	45,739.0	76,219.6	91,564.7	109,889.1	131,674.5
Shareholders equity	658.9	1,066.8	2,246.4	34,724.9	38,817.9	44,657.2	52,361.7
Minorities	0.0	19.1	182.3	183.1	183.8	184.6	185.3
Provisions	12.4	682.0	1,352.3	1,352.3	1,352.3	1,352.3	1,352.3
Long term debt	559.6	854.0	9,331.3	3,804.0	3,374.5	3,011.5	2,705.1
Short term debt	4,370.2	14,945.7	32,626.6	36,155.2	47,836.2	60,683.5	75,070.0
<i>Current portion of LT debt</i>	110.9	215.6	1,146.8	569.4	429.6	362.9	306.5
<i>Other financial debt</i>	1,467.3	7,130.7	19,110.3	0.0	0.0	0.0	0.0
<i>Other current liabilities</i>	2,791.9	7,599.4	12,369.4	35,585.8	47,406.6	60,320.5	74,763.5

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