IPTE

6 September 2007

A bargain investment

Electronic & Electrical Equipment

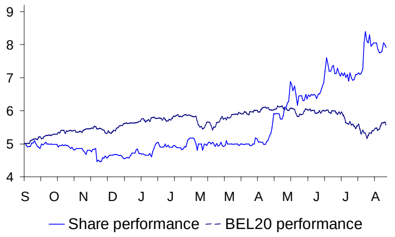
Belgium

Current Price € 7.92

Target Price € 11.00

Buy

Initiating coverage



Source: Thomson Financial Datastream

FY/e 12.31	2006	2007E	2008E	2009E
Sales	138.3	245.2	269.8	290.0
REBITDA	6.0	16.6	19.0	20.3
Net earnings	1.9	7.5	8.7	9.7
Diluted, adjusted EPS	0.27	1.08	1.25	1.39
Dividend	0.00	0.00	0.00	0.00
P/E	18.9	7.4	6.3	5.7
EV/REBITDA	13.4	5.5	4.6	4.0
Free cash flow yield	-12.9%	3.6%	6.3%	9.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%

Source: KBC Securities **Adjusted for goodwill and exceptionals*

Reuters	IPTE.BR
Bloomberg	IPT BB

www.ipte.com

Market Cap	€ 55m
Shares outst.	6.9m
Volume (Daily)	€ 0.05m
Free float	33.05%

Next corporate event

Results 3Q07: 15 November 2007

Performance over	1m	3m	12m
Absolute	14%	18%	53%
Rel. BEL20	13%	27%	39%

12-m Hi/Lo € 8.40/4.45

Nico Pantelis
Financial Analyst - Brussels
KBC Securities NV
+32 2 429 19 01
nico.pantelis@kbcsecurities.be

We are initiating our coverage on IPTE with a Buy rating and an € 11.0 price target. After a few years of struggling, FY05 and FY06 already showed the first signs of an upturn. The impressive 1H07 results confirmed this and we anticipate a strong set of FY07 results. With valuation multiples way below its peers, we believe the current stock price is a bargain investment.

- As a Contract Electronic Manufacturer, IPTE provides in subcontracting for the assembly of cables and PCB's. Besides, the company is also active in factory automation.
- Contract Manufacturing is showing strong growth on top line (FY07E € 199m, +125% y/y) and EBIT (FY07E € 9.8m, +262.9% y/y), which was also due to the acquired Barco Manufacturing Services.
- The Factory Automation division focuses on margin improvement, which, coupled with good sales growth (FY07E € 55m, +10% y/y) will result into strong EBIT growth (FY07E € 1m, +30% y/y).
- With the impressive 1H07 results confirming the company's turn-around, we expect a strong set of results for FY07: sales growth of 77% (of which 13% organic), tripling EBIT and net profit even quadrupling.
- A DCF valuation yields a fair value of € 11.4 for the IPTE share. Also a peer group comparison shows a substantial discount. Therefore we are initiating coverage in IPTE with a Buy rating and a peer-group based target price of € 11.0

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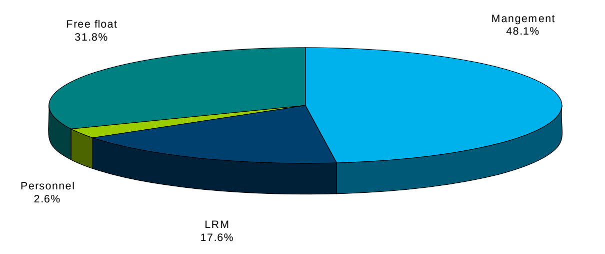
Stock price & shareholders

A volatile ride for the stock price

In 2000, IPTE was listed on Euronext at an IPO price of € 22.0. Shortly after the introduction, the stock price ran up to its all-time-high of € 29.5. But the burst of the technology bubble saw the share tumble back to an all-time-low of € 1.62 in 2002. Since then the stock has been quite volatile, but currently stands at around € 8.

Shareholder structure - fully diluted



Source: company data, KBC Securities

Stock price performance (5 years)

Source: Datastream

In October, management and the LRM will convert 1,458,332 warrants

At present, there are 5,476,092 outstanding shares, of which management holds 3,216,526. This leaves 2,259,566 shares as free float, or 41.3% of the outstanding shares. The IPTE management and the LRM (Belgian Private Equity partner) hold 1,458,332 warrants, which they will convert in October 2007 at an exercise price of € 4.8. The warrants were created in 2003 in combination with a subordinated loan of € 7.0m. The conversion will lift the total amount of outstanding shares to 6,934,424. After the exercise, the free float will drop to 31.8%. Furthermore there are 182,500 warrants issued by IPTE in 2000 for the personnel. The exercise price of these warrants (exercisable until 2010) is € 20.

SWOT analysis

Strengths	Weaknesses
• An international niche player	• Low-margin business
• Economies of scale thanks to Barco MS acquisition	• German activities are under performing
• Regained profitability	• Despite international presence, mid-sized player
• Important client references (e.g. Barco, Philips)	• Lack of recurring revenues in Automation
Opportunities	**Threats**
• Further acquisitions in Contract Manufacturing	• Pricing pressure
• Growing importance of automation	• Integration risks of further acquisitions
• Expansion of client base in Eastern Europe	• Stronger competition from Asian players
• Electronics volume growth in Eastern Europe, China	• Economic slow-down could weigh on volumes

History

1992

Five former Philips engineers founded the company under the name Integrated Test Engineering (ITE). The team had a broad expertise and experience in the electronics sector. In the following years, ITE rapidly expanded its presence in the UK, the USA, Germany and France by setting up local sales offices.

1998

In 1998, ITE acquired the Automation of Test division (AoT) from Philips Industrial Activities in Hasselt (Belgium), which accounted for the entire Testing division of Philips. Later that year, the company also acquired PTS (Production Technology Systems). In the same year, ITE established its first footprint in the Asia Pacific by setting up a sales office in Singapore.

1999

In 1999, ITE expanded by opening a second sales office in the USA and one in Portugal (ITE Iberia). The company also executed the important and strategic acquisition of Connect Systems, a contract manufacturer for the electronics industry, active in both PCB and Cable assembly.

2000

In 2000, ITE was rechristened IPTE (Integrated Production and Test Engineering) and became listed on Euronext Brussels. In June of that year, IPTE acquired the French company ARF Test, a specialist in the development and production of test solutions. The company also recruited the engineering team of Montatech, a German engineering company specialized in production automation.

2001

In 2001, IPTE acquired another French company, ANDElec. Later that year, it acquired Autoveyor, based in Singapore.

2002

In January 2002, IPTE opened two sales offices in China. In May, Connect Systems acquired the production facility of Ratio Beheer in Slovakia. At the end of 2002, the subsidiary started up a production plant in Romania, named Connectronics Romania.

2003

In May 2003, IPTE bought a 52% stake in the French company Antest. In October, IPTE strengthened its position in the factory automation market by acquiring another French company, Prodel.

2004

In March 2004, Connectronics Roumania expanded its production capacity. In June, IPTE announced that it pulled out of the Autoveyor shareholding. The shares were transferred to the minority shareholder of Autoveyor. In June, IPTE's subsidiary Connect Systems became active in Germany by acquiring Infotron.

2005

In January 2005, IPTE announced a restructuring of the Factory Automation division due to heavy losses. This led to an overhaul in the division's senior management in September that year.

2006

In June 2006, IPTE acquired 100% of Antest. The company already owned 52% in May 2003. In December, IPTE acquired the PCB-assembly division of Barco. The division has production plants in Belgium and the Czech Republic.

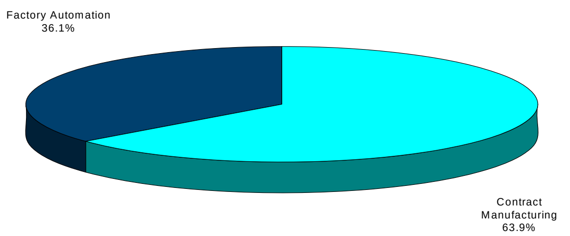
Business description

Introduction

A global niche player

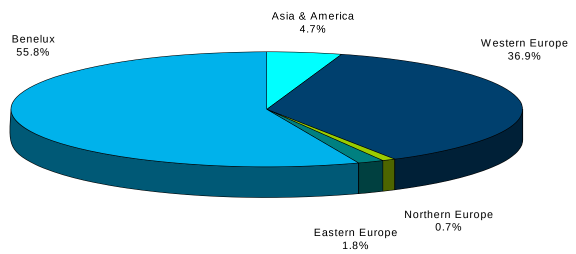
IPTE stands for Integrated Production and Test Engineering. The company offers subcontracting (Contract Electronic Manufacturing or CEM) services for the electronics industry. It also develops and manufactures complete automated production equipment and test-engineering services for the same industry. The company is headquartered in Genk, Belgium, and has several production plants and sales offices around the world. Currently, IPTE employs around 2,300 people and serves clients such as Alcatel, Barco, Bosch, Delphi, Ericsson, Flextronics, Jabil, Johnson Controls, Lear, Mitsubishi, Motorola, Nokia, Philips, Sanmina, Siemens, Solectron and Visteon. IPTE has two divisions, Contract Manufacturing (63.9% of FY06 sales) and Factory Automation (36.1%). More than half of the company's 2006 revenues were generated in the Benelux area (55.8%). Western Europe accounts for 36.9%, leaving 7.3% to the rest of the world.

Sales breakdown by division (2006)



Source: company data, KBC Securities

Sales breakdown by region (2006)

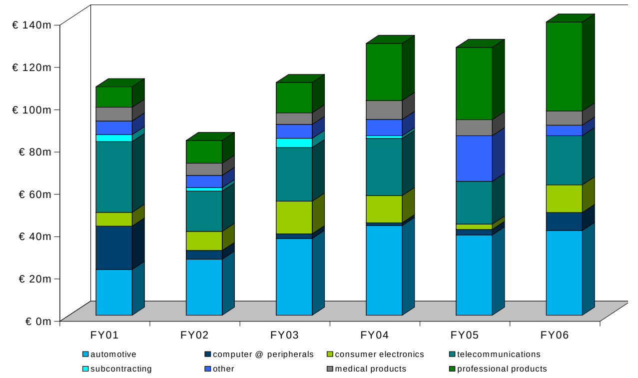


Source: company data, KBC Securities

Industrial segment represents over 30% of FY06 sales

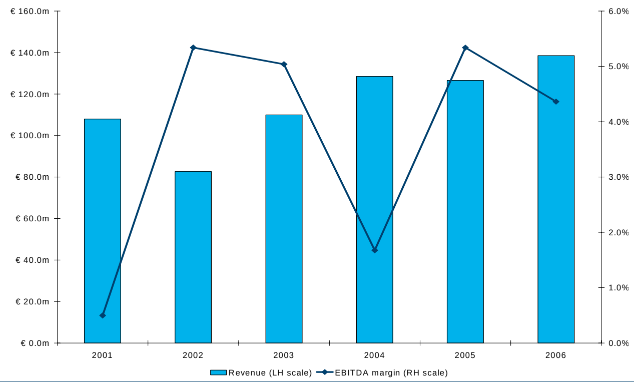
A sales breakdown per segment (FY06) shows that the industrial (30.3%) and automotive (28.9%) industries are the most important clients. The telecom sector has declined in importance to 16.8% from 31% in FY01.

Historical sales breakdown by segment



Source: company data, KBC Securities

Historical revenue vs. EBITDA margin



Source: company data, KBC Securities

Contract Manufacturing

This division delivers subcontracting services in three areas of the electronics industry: Cable Assembly (50% of sales in 2006), PCB Assembly (30%) and Module Assembly & Services (20%).

Cable Assembly

- The cable assembly area offers a broad range of solutions for the assembly of complex cables and cable systems. It provides copper, coaxial and fibre-optic technologies for OEMs (Original Equipment Manufacturers) and the installers of this equipment. For example, IPTE puts connectors on ADSL and VDSL cables for Alcatel.

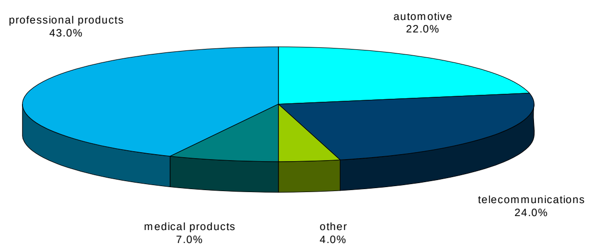
PCB Assembly

- The PCB assembly area offers different integrated productions lines to provide efficient and rapid assembly of printed circuit boards. These production lines feature gluing, solder paste printing and soldering. For example, IPTE places LEDs on circuit boards for Barco.

Module Assembly & Services

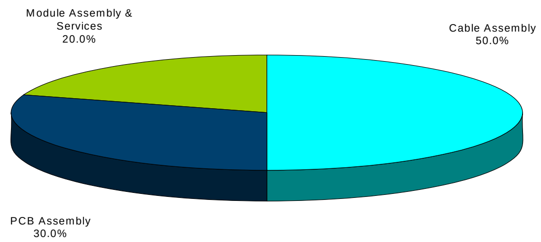
- The group also provides versatile and modular production facilities for the assembly and testing of the customer's finished products combined with the necessary services and advice. The aim is to offer more flexibility to customers in a more competitive environment.

Breakdown by client segment (2006) – CM division



Source: company data, KBC Securities

Breakdown by subdivision (2006) – CM division



Source: company data, KBC Securities

The division services clients in different areas, the most important being the industrial segment.

Professional products sector most important client

- The professional products sector accounted for 43% of the division's sales in 2006 (e.g. Transics, Agfa-Gevaert). This segment has grown substantially over the years, doubling in size since 2002 to become the most important today.

Automotive steady client

- The automotive sector (e.g. JLG, EPIQ) accounts for 22% of the divisions sales. This is the portfolio's steadiest segment, representing about 20% of the division's sales in recent years.

Telecom is pulling back

- The telecom sector (e.g. Alcatel-Lucent, Belgacom) was a major customer in the past, but its volume had shrunk to 24% of sales in 2006 from 39% in 2003.

Medicals small part of sales

- The others segments vary in size, with medical taking the largest part with 7% of the division's sales.

Benelux area strongly represented

The Contract Manufacturing division sells most of its products and services in the Benelux area. Belgium and the Netherlands account for 75% of geographical sales, which leaves 25% for the rest of western Europe. The company aims to further increase sales in the Netherlands on an organic basis, and the Dutch sales team has been enforced this year.

Germany under performing

Particular efforts are being made in Germany, which generates only 12% of sales. This is too low compared to the division's total revenues. Management has already admitted the poor performance, and efforts have been made to improve the division's performance in Germany. For instance, IPTE recently joined a German knowledge centre for the electronic industry (VDMA). While the German market is still proving a disappointment for IPTE, the country's overall PCB market is expanding at a pace of 5%, with incoming orders up 12% in April this year (source: PCB007), the highest growth rate of the last six years. Despite this, IPTE does not seem to be gaining momentum. We assume that a lack of critical mass is the problem, making a further acquisition necessary before turnover and profitability can increase.

Going for emerging Europe

At present, many European companies are moving production towards Eastern Europe (including the former Russian states). IPTE Contract Manufacturing recently doubled its production capacity in Romania by entering a new plant, which can employ more than 1,000 people. For the moment, IPTE employs 550 staff in the country. The company is also present in Slovakia, thanks to a small acquisition in 2004.

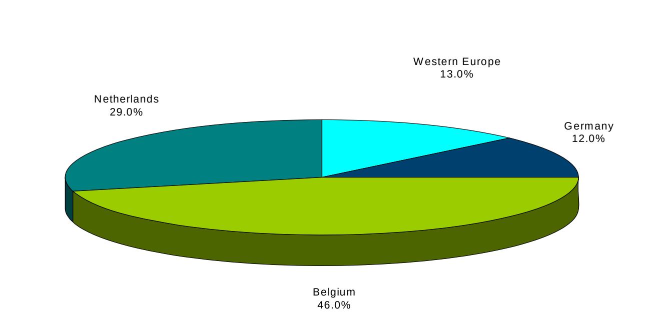
No subcontracting in China

Contract Manufacturing has no production facilities in China. The company is not involved in mass-market consumer electronics goods – which are mainly produced in China at present – preferring to serve multinational clients located in Europe.

Historical financial performance

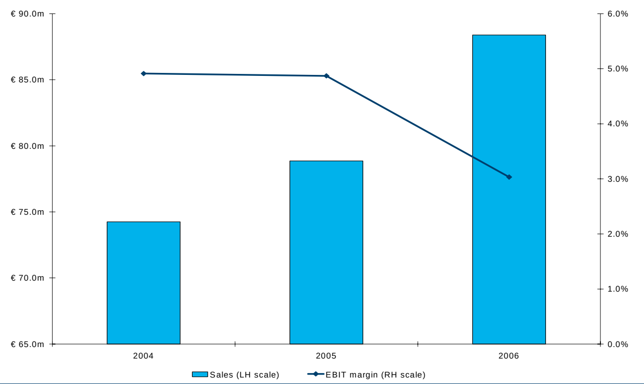
The division's revenue has grown steadily in the past, with normal growth rates around 10%. In 2004, sales jumped 42% with the acquisition of German Infotron and increased production capacity in Romania. The EBIT margin has been hovering between 4 and 5%, with exception of last year (3.0%), when the company was unable to pass on rising copper prices (an important cost factor in the production of cables) in time to their clients.

Breakdown by region (2006) – CM division



Source: company data, KBC Securities

Revenues and EBIT margin – CM division



Source: company data, KBC Securities

Factory Automation

The factory automation division delivers full factory automation, mainly for the electronics and automotive industry. The goal is to provide automated solutions for the production and testing of PCBs and final products to the customers' local plants. This means that the division is present wherever clients are active around the world. The division can be divided into three main business areas: Testing (40% of sales in 2006), Project Activities (40%) and Standard Products (20%).

Testing

- The Testing area delivers testing, test automation and test services for PCBs and electronic products. The solutions provided cover a wide product range, as well as skilled personnel to accompany clients. For example, IPTE provides product testing for the production of Siemens car radios.

Project Activities

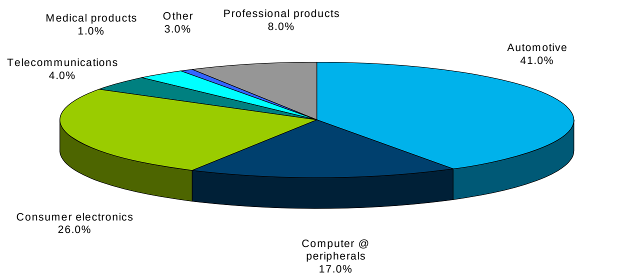
- The Project Activities area delivers fully automated production lines for the electronics industry. For example, IPTE delivered a full production line for tire pressure sensors at Schrader.

Standard Products

- Over time, the division also built up a standardized product portfolio for testing automation and PCB adjustment. Examples include board assembly, laser marking and transportation (conveying).

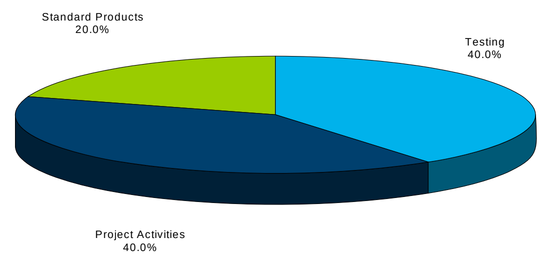
Combining products and skills, IPTE can provide flexible and modular assembly systems.

Breakdown by client segment (2006) – FA division



Source: company data, KBC Securities

Breakdown by subdivision (2006) – FA division



Source: company data, KBC Securities

Segments & region

The division has clients in different segments:

Automotive most important client

- The automotive sector – which has always been hugely important for the group – accounted for 41% of the division's sales in 2006, making it the biggest source of revenue.

Consumer steady

- The consumer electronics sector shows the same steady pattern, accounting for 26 % of sales.

Computer coming up strong

- Computer and peripherals took third place in 2006, with 17% of division sales, up from 5% in 2005.

Potential risks include lack of recurring revenues

A potential risk in the FA division is that it is a project-based business, with no recurring revenues. As a result, the top five clients change every year, depending on which invest the most in the year concerned. Another potential risk is the dependence on Philips, which accounts for 20% of sales. Note however that the relationship between IPTE and Philips goes back a long way and appears solid.

Playing the European card

Most of the Factory Automation sales (87%) were realized in Europe, with the Benelux region good for 22%. Sales in Asia and America declined to only 13%, confirming the downtrend in these regions. IPTE is dealing increasingly with multinationals who are headquartered in Europe, but who have production facilities worldwide. These sales are classified as European sales, explaining the increased importance of European sales.

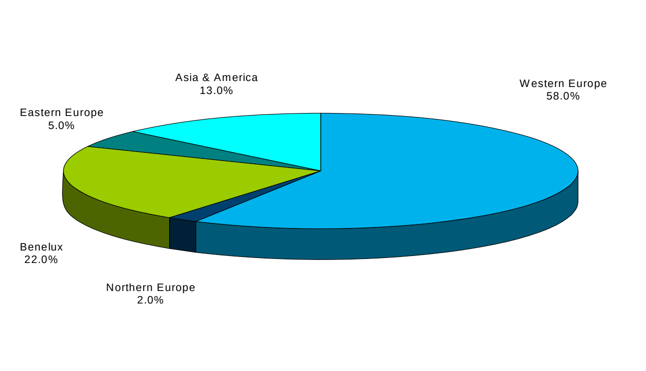
China becoming of more importance

As European (and American) clients move towards China, IPTE Factory Automation is also redirecting part of its production towards that country. The first sales office was opened in Shanghai in 2002. In 2004, the IPTE Factory Automation division opened its first Chinese production facility, which should generate more contracts, as more clients move their production to China. So far however, the ramp up is weak. IPTE currently employs 50 people in China but this will grow to +100 in the near future.

Historical financial performance

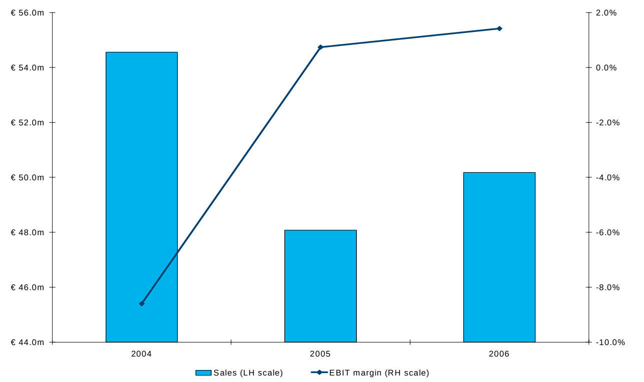
The historical performance of IPTE Factory Automation has been poor in recent years. Due to high investment aimed at regularly upgrading the product portfolio, EBIT margins have been very low at around 1.0%. Management has already revealed plans to shift its product portfolio towards standardized products, which in the past accounted for only 50% of sales. In the future we expect this to rise to 70-80%, which should be in favour of divisions margin evolution in the future.

Breakdown by region (2006) – FA division



Source: company data, KBC Securities

Revenues and EBIT margin – FA division



Source: company data, KBC Securities

Business drivers

Increased outsourcing is supporting growth in CM

IPTE is showing decent growth rates in its Contract Manufacturing division (we expect 10% in FY08) thanks to a number of drivers. Firstly, electronics volumes in general are growing. Secondly, more and more companies are deciding to outsource electronics production in order to focus on core expertise such as product development. IPTE is clearly benefiting from this trend. Moreover, management believes IPTE is gaining market share, both within existing customers and thanks to new entrants.

FA growth supported by new investments in production equipment

Growth in Factory Automation is coming from a combination of investments in new production capacity and investments aimed at extending the capabilities of current production equipment (e.g. traceability of all products being manufactured, which is an important element in the automotive business, where quality requirements are increasingly stringent). The long lifespan of the equipment concerned means that replacement investments remain quite low.

Competitive situation

Avoiding competition with large players

Well-known large players in Contract Electronic Manufacturing include Solectron, Flextronics, Sanmina-SCI etc. Whereas these players mainly focus on the consumer electronics segment (where the biggest volumes are found), IPTE focuses on other segments where volumes are smaller (such as automotive or industrial applications) and where the larger players are less active, thus avoiding a head-on confrontation. Another advantage of this strategy is that the manufacturing activities in these segments are less exposed to the risk of relocations to Asia in search of lower costs.

Large players turn to IPTE as well

It is worth noting that some of the large CEM players (including Sanmina and Flextronics) turn to IPTE for certain types of production. This is mainly thanks to IPTE's strong know-how in cabling activities, where these large players have less experience.

Cabling know-how differentiates IPTE from its peers

The main difference between IPTE and other smaller players in CEM (such as Belgian EPIQ or the Dutch Neways), is IPTE's know-how in and focus on cabling solutions. This is an area that represents a sizeable part of the company's turnover (50% of FY06 Contract Manufacturing sales) and one where IPTE has a competitive edge over these rivals. The fact that IPTE is also active in Factory Automation gives it certain advantages over these competitors (e.g. IPTE's expertise in the testing of final products).

Strategy

For each of the two divisions, IPTE handles different strategies because of the separate business models.

Internal and external growth in Contract Manufacturing

For Contract Manufacturing management has pushed forward the expansion strategy via internal growth and targeted acquisitions that immediately raise IPTE's profitability. Management indicated that future acquisitions could include companies with over € 50m in sales. The division wants to become an important Contract Electronic Manufacturing player in Europe. We also expect decent organic growth in the years to come, as the sector still has considerable upside potential. Management indicated that growth of 8 to 10% should be possible. The company has to improve its performance in Germany, which is gaining in importance as its economy recovers.

No subcontracting activities are expected in China

Looking at the current geographical market situation, things are changing for IPTE and its competitors, as (consumer) electronics production is increasingly being relocated to Asia, and more specifically, to China. The future of the mass consumer electronics market is looking bright for the country, and China's turnover is expected to grow to more than $ 100bn by 2008 (source: IDC), driven by companies searching for lowest-cost production facilities. As a result, competition amongst Contract Electronic Manufacturing players from Asia is fierce, led by the Chinese players, as everyone fights for a piece of the cake. Nevertheless, IPTE is not eager to compete in the subcontracting production of mass consumer electronics. Management has said that the fierce competition in this area would weigh on profitability. IPTE is therefore not seeking Chinese customers for its Contract Manufacturing division.

Focus on profitability in Factory Automation

The Factory Automation division focuses on profitability. While in the past the company was constantly investing in new and better products (weighing on profitability), IPTE can now benefit from the industry trend towards more standardised products, requiring lower investment. This in turn should support profitability in the division. As far as sales growth is concerned, we expect growth to catch up in the coming years, as after some years focussing on improving profitability (at the expense of top-line growth), IPTE should finally be able to benefit from the market growth in Europe (10% to 15%, according to management). Moreover, China should also become more important, as a growing number of existing IPTE clients move production to China but retain IPTE as their production equipment supplier. As a result, we expect further expansion in this country in the future. Finally, the division is also looking to boost sales in the Eastern European countries, where it currently has production facilities but no sales activities.

CM uses the experience of FA

There is also some cooperation between the two divisions. Contract Manufacturing uses some of the testing experience of Factory Automation for their PCB production facilities.

Acquisition of Barco Manufacturing Services

Enhancing Contract Manufacturing

At the end of 2006, IPTE acquired Barco's Manufacturing Services division, boosting annual sales of Contract Manufacturing by at least € 60m, of which € 45m is sales to other Barco divisions and € 15m to other customers. The acquisition expands IPTE's production in Belgium (Poperinge) and establishes a foothold in the Czech Republic (Kladno). Under the terms of the deal, IPTE is guaranteed five years of Barco revenue, with a minimum of € 40m sales in the first three years and over € 25m in the following two years.

Major impact on Contract Manufacturing…

The impact on Contract Manufacturing is huge, as the acquisition, combined with good organic growth in the division, will enable turnover to more than double in 2007. This will make IPTE one of the largest subcontractors in the Benelux. At the moment, Barco Manufacturing Services employs 200 staff in Belgium and 150 in the Czech Republic. IPTE's Contract Manufacturing division employed 1,255 staff prior to the acquisition.

… and a very attractive deal for IPTE

We believe IPTE acquired the division at a very attractive price (around € 15m, equal to the net working capital that was included in the business). Moreover, as Barco already reorganised the division, we believe it is currently in excellent health.

Financials

Historical figures: a roller coaster ride

Difficult period for Factory Automation in 2001-2004

The company experienced major difficulties in the 2001-2004 period due to harsh market conditions. Investment cutbacks by clients forced a restructuring of Factory Automation, where the gross margin had dropped to 20.5% from levels around 30% and EBIT was a negative € 4.7m in 2004. Contract Manufacturing was steady during that period, with a positive EBIT of € 3.7m.

Catching up on profitability in 2005

In 2005, the focus was redirected towards profitability. Thanks to further restructuring of the automation division, these efforts resulted in an impressive EBITDA recovery of +387%. The division focused on smaller, higher-margin projects worth between € 1.0 and € 4.0m. EBIT came in at € 4.2m as the gross margin climbed to 32.9%, with a positive net result of € 2.2m or € 0.4 a share. With this shift towards profitability, company sales fell 1.5% in 2005 to € 126.7m.

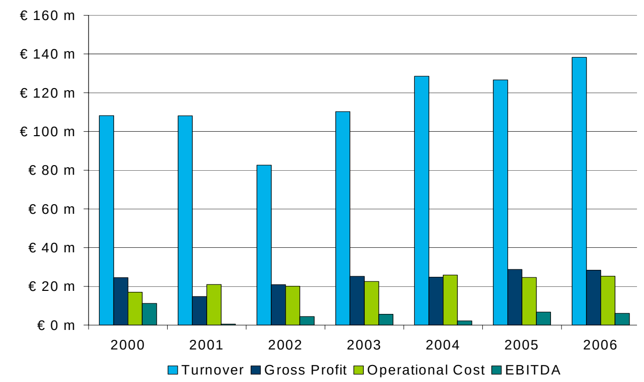
Revenue increasing again in 2006

Although 2005 saw the arrival of more favourable conditions, 2006 was still a bumpy road. Revenue increased 9.2% y/y to € 138.3m but gross profit slipped 1.4% y/y to € 28.4m, representing a gross margin of 20.5%. Operational costs increased to € 25.3m, up from € 24.6m in FY05. Despite the company's switch of focus towards profitability, IPTE was not able to extend the recovery of 2005. The company was also unable to pass on rising copper prices (an important cost factor in cable production) in time to its clients. EBITDA, EBIT and net result came in at respectively € 6.0m, € 3.4m and € 1.9m, all down y/y, resulting in an EPS of € 0.34.

Book-to-bill under pressure

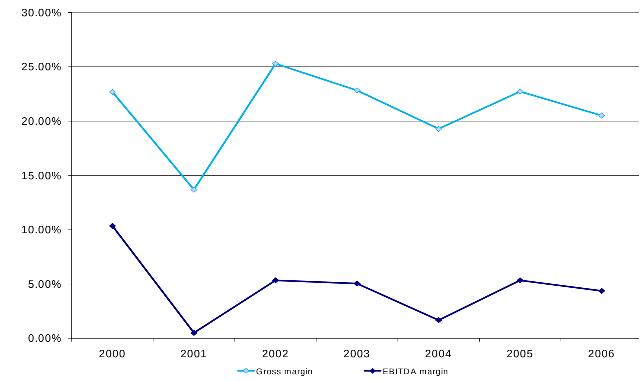
The weakness of 2006 was also visible in the evolution of the order book, with the book-to-bill ratio barely staying above 1.00. By end-2006 however, the order book stood at € 39.4m, the highest level ever noted by the company at that time.

Historical financial performance



Source: company data, KBC Securities

Historical margin evolution



Source: company data, KBC Securities

Impressive half year results

Impressive start to 2007

The results of the Barco Manufacturing Services have been consolidated since 1Q07. This resulted in a substantial increase in revenue in the first half of 2007, up 91.3% to € 128.6m y/y. The gross margin totalled € 22.1m (+51% y/y), representing 17.2% of sales. Along with the new business, operational costs rose 33% to € 16.9m, but this was little in comparison with sales and gross margin. The difference boosted the different income levels. EBIT came in at € 5.5m, up 125% y/y, and net income increased five-fold to € 4.0m.

Strong results at Contract Manufacturing

Zooming in on Contract Manufacturing, revenue in 1Q07 amounted to € 49.8m, up 141.7% y/y. Excluding € 23.2m coming from the Barco unit, organic growth was still up 23.9%. In 2Q07, this positive trend continued, as revenue came to € 51.8m, up 139.8% y/y. The Barco division was good for € 24m, so organic growth in 2Q07 rose 28%, even better than in 1Q.

Factory Automation also benefits from good market conditions

Factory Automation also benefited from the good market situation, but not to the same degree. Sales in 1Q07 gained 6.8% y/y to € 12.5m. In 2Q07, sales continued to improve to € 14.5m, up 10.7% y/y.

2Q07 even better then 1Q07

When we compare 1Q07 with 2Q07, we see different improvements in the companies P&L. First of all, sales went up from € 62.4m in 1Q07 to € 66.5m in 2Q07. Gross margin was up from 16.1% to 18.1% of sales. Operational costs were up only 10% from € 8.1m in 1Q07 to € 8.8m in 2Q07. This resulted in an EBIT of € 3.5m in 2Q07 compared to € 2.1m in 1Q07. The EBIT margin in 2Q07 represented 5.3%, where as normally it hovers between 3% and 4%. Financial costs dropped on a quarterly basis from € 0.8m to € 0.3m. As a result, net income jumped from € 1.3m to € 2.8m in the second quarter.

P&L quarterly details

€ m	1Q07	2Q07	3Q07E	4Q07E	FY07E
Sales	**62.4**	**66.2**	**54.9**	**61.7**	**245.2**
% growth y/y	93%	90%	53%	76%	77.3%
Gross margin	**10.0**	**12.0**	**8.2**	**11.7**	**42.0**
% gross margin (RH scale)	16.1%	18.2%	15.0%	19.0%	*17.1%*
Operational cost	8.1	8.8	6.9	8.6	32.3
% of sales	12.9%	13.3%	12.5%	14.0%	*13.2%*
EBIT	**2.1**	**3.5**	**1.6**	**3.3**	**10.5**
% EBIT margin	3.3%	5.3%	3.0%	5.3%	*4.3%*
Financial result	-0.8	-0.3	-0.5	-0.9	-2.5
Taxes	0.0	0.4	0.0	0.1	0.5
% tax rate	*3.5%*	*11.8%*	*3.5%*	*2.5%*	6.5%
Net profit	**1.3**	**2.8**	**1.1**	**2.3**	**7.5**

Source: company data, KBC Securities estimates

Slowdown in 3Q07 expected due to vacation period

3Q07 will probably be slower than previous quarters due to the vacation period at Contract Manufacturing. We have therefore pencilled in a decline of 17% in sales compared to 2Q07, representing sales growth of ‘only’ 53% y/y, resulting in revenue of € 54.9m. We expect gross margin to drop to € 8.2m (15.0% of sales) and operational costs (12.5% of sales) to decline to € 6.9m, resulting in an EBIT of € 1.6m, equivalent to an EBIT margin of 3.0%. Bottom line, we expect a net result of € 1.1m, making the third quarter the weakest of the year in terms of profitability.

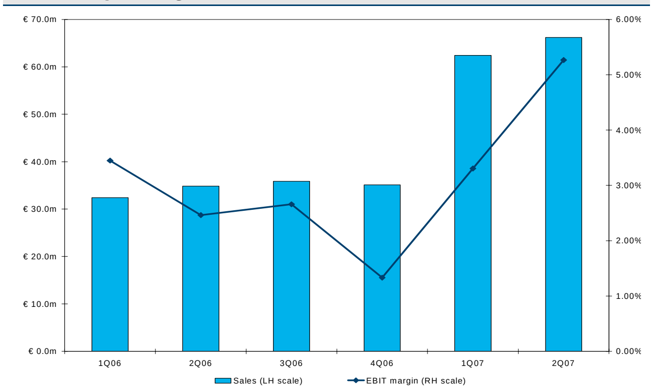
4Q07 historically good

We expect 4Q07 to be in line with 1Q07 as the quarter is historically good. We pencilled in revenue of € 61.7m, or 76% sales growth y/y. We expect the gross margin to improve to € 11.7m (19.0% of sales) and we forecast operational costs of € 8.6m (14.0% of sales) resulting in an EBIT of € 3.3m, which represents an EBIT margin of 5.3%. Bottom line we expect the net result to be at € 2.3m.

Order book rising in 1H07; book-to-bill ratio stays above 1

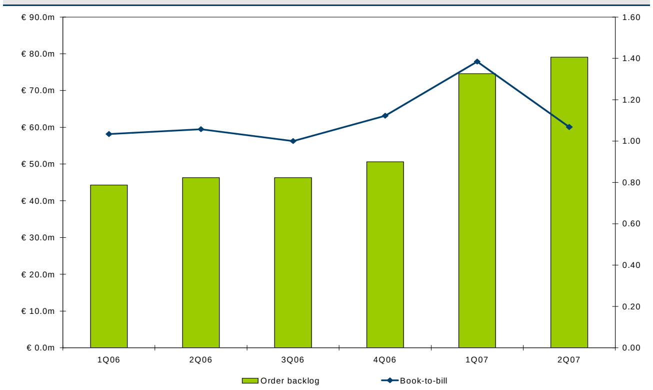
The order book stood at € 74.6m at the end of 1Q07, up from € 50.6m at end-FY06 (and helped by new orders coming from the Barco acquisition). As a result, the book-to-bill jumped to 1.38, up from 1.12 at end-FY06. At end-2Q07, the order book increased again to € 79.1m, while the book-to-bill dropped to 1.07.

Quarterly margin evolution



Source: company data, KBC Securities

Order book vs. book-to-bill ratio



Source: company data, KBC Securities

Forecasts by division

CONTRACT MANUFACTURING

Recovery of EBIT margin expected

With the acquisition of Barco Manufacturing Services, the Contract Manufacturing division has become IPTE's most important activity. We expect a 115% boost in revenues to € 190.0m. For the following years, we expect revenue growth of 10% to € 209.0m in 2008 and 7.5% to € 224.7m in 2009. We also see the EBIT margin strengthening further thanks to the sales growth and tight cost control. EBIT margin for FY07E will ramp back up to 5.0%, returning to the FY05 level again. We see this trend continuing in the future, with EBIT margins for FY08E and FY09E of respectively 5.1% and 4.9%. These assumptions result in an EBIT for FY07E of € 9.4m, for FY08E of € 10.6m and for FY09E of € 10.9m.

P&L details

€ m	2004	2005	2006	2007E	2008E	2009E
Sales (LH scale)	**74.3**	**78.9**	**88.4**	**190.0**	**209.0**	**224.7**
% growth y/y		*6.2%*	*12.1%*	*115.0%*	*10.0%*	*7.5%*
EBIT	**3.6**	**3.8**	**2.7**	**9.4**	**10.6**	**10.9**
EBIT margin (RH scale)	*4.9%*	*4.9%*	*3.0%*	*5.0%*	*5.1%*	*4.9%*

Source: company data, KBC Securities estimates

FACTORY AUTOMATION

Assumptions leave room for further improvement

For the Factory Automation division, we expect growth to pick up again to around 10%, implying € 55.2m in sales. For the following years, we expect growth of 10% to € 60.7m in 2008 and 7.5% to € 65.3m in 2009. EBIT margin always has been a problem for Factory Automation, being only just above break-even in the last two years. For the moment, we foresee a slight improvement to 2% for 2007. In the coming years, we expect the margin to improve due to a switch in the product portfolio towards standardized products. We therefore pencilled in an EBIT margin of 2.9% for 2008 and 3.3% for 2009. Based on these assumptions, we expect FY07E EBIT of € 1.1m, FY08E at € 1.7m and FY09E at € 2.2m.

P&L details

€ m	2004	2005	2006	2007E	2008E	2009E
Sales	**54.6**	**48.1**	**50.2**	**55.2**	**60.7**	**65.3**
% growth y/y		*-11.9%*	*4.4%*	*10.0%*	*10.0%*	*7.5%*
EBIT	**-4.7**	**0.4**	**0.7**	**1.1**	**1.7**	**2.2**
EBIT margin	*-8.6%*	*0.7%*	*1.4%*	*2.0%*	*2.9%*	*3.3%*

Source: company data, KBC Securities estimates

Group P&L

Cost control important for the coming years

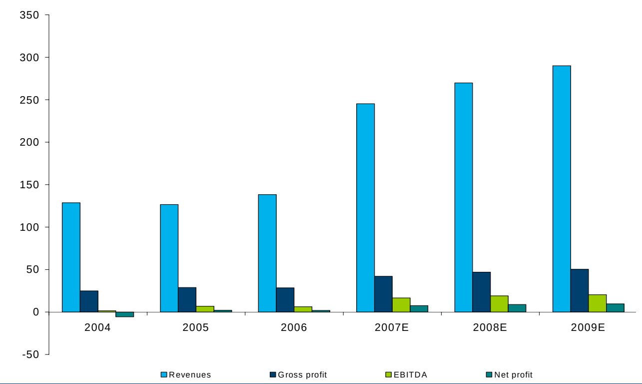
We arrive at a combined sales growth of the two divisions at 77.3% to € 245.2m in 2007. We put growth in 2008 and 2009 at respectively 10.0% and 7.5%. This represents revenue of € 269.8m in 2008 and € 290.0m in 2009. We expect a steady gross margin in the coming years, hovering around 17%. Costs should also settle, with SG&A and R&D at around 10% and 3% of sales respectively, as can been seen in the table below.

P&L details

€ m	2004	2005	2006	2007E	2008E	2009E
Sales	**128.6**	**126.7**	**138.3**	**245.2**	**269.8**	**290.0**
% growth y/y		*-1.5%*	*9.2%*	*77.3%*	*10.0%*	*7.5%*
Gross margin	24.8	28.8	28.4	42.0	47.0	50.2
% gross margin (RH scale)	*19.3%*	*22.7%*	*20.5%*	*17.1%*	*17.4%*	*17.3%*
SG&A	20.1	18.8	19.0	24.8	27.7	29.6
% of sales	*15.7%*	*14.8%*	*13.8%*	*10.1%*	*10.3%*	*10.2%*
R&D	5.7	5.8	6.3	7.5	7.9	8.4
% of sales	*4.4%*	*4.6%*	*4.5%*	*3.1%*	*2.9%*	*2.9%*
Other income/expenses	-0.8	0.0	0.3	0.8	0.8	0.9
EBIT	**-1.8**	**4.2**	**3.4**	**10.5**	**12.3**	**13.1**
% EBIT margin	*-1.4%*	*3.3%*	*2.5%*	*4.3%*	*4.6%*	*4.5%*
% growth y/y			*-19.2%*	*209.2%*	*17.3%*	*6.2%*
D&A	3.2	2.6	2.6	6.1	6.7	7.2
EBITDA	**1.4**	**6.8**	**6.0**	**16.6**	**19.0**	**20.3**
% EBITDA margin	*1.1%*	*5.3%*	*4.4%*	*6.8%*	*7.1%*	*7.0%*
Financial result	-3.8	-2.0	-1.4	-2.5	-2.6	-2.3
Taxes	0.0	0.0	0.1	0.5	1.0	1.1
% tax rate	*0.1%*	*-0.6%*	*6.6%*	*6.5%*	*10.0%*	*10.0%*
Minorities	0.0	0.1	0.0	0.0	0.0	0.0
Net profit	**-5.6**	**2.0**	**1.9**	**7.5**	**8.7**	**9.7**

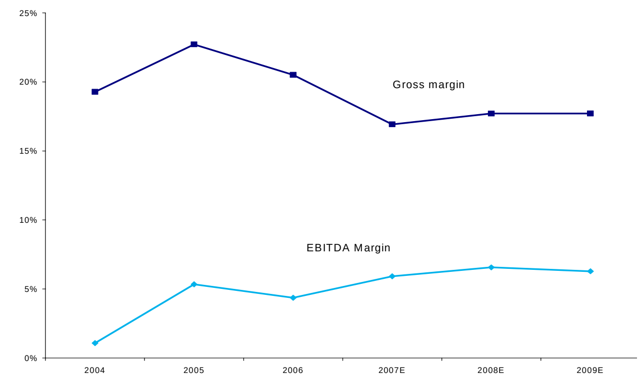
Source: company data, KBC Securities estimates

P&L group



Source: company data

Group margins



Source: company data, KBC Securities estimates

As a result, EBITDA07E will kick in at € 16.6m, an improvement of 176% from a year earlier. For FY08E and FY09E, we expect respectively € 19.0m (+14.5% y/y) and € 20.3m (+6.8% y/y). EBIT07E will peak at € 10.5m, up 209% y/y. For 2008 and 2009, we have penciled in an EBIT08E of € 12.3m (+17.3% y/y) and an EBIT09E of € 13.1m (+6.2% y/y).

Bottom line picking up profitability

Bottom line, net profit FY07E will settle at € 7.5m or +295% y/y, thanks largely to a fairly easy comparison base. For FY08E and FY09E, we expect IPTE to realize net profits of respectively € 8.7m and € 9.7m. Note that the company also has unrecognised tax losses worth € 35.4m at end-2006. This explains the low tax rate of 6.5% we have pencilled for this year and 10% for the coming years.

Balance sheet & cash flow statement

WRC representing 24.5% of sales in FY07

A quick glance at the balance sheet shows working capital requirements (inventories, A/R and A/P) rising substantially in 2007 (+56.3% y/y). Of course, this can also be explained by the acquisition of Barco Manufacturing Services. WCR in 2006 accounted for 28.8% of sales. In 2007, we expect this to drop to 24.5% in 2007 amid rising inventories, a trend we already saw in the 1H07 results.

Important gearing

At the moment, gearing is a high 100%, meaning net debt is equal to equity. This will improve in the future however as equity grows in parallel with the company's profits. Moreover, cash flow will be used for further debt reduction.

Balance sheet details

€ m	FY04	FY05	FY06	FY07E	FY08E	FY09E
Tangible assets	10.7	12.0	12.2	13.6	13.6	13.6
Intangible assets	5.5	6.2	6.2	6.2	6.2	6.2
Receivables	36.5	30.3	38.7	55.2	60.7	65.2
Inventory	22.8	24.0	28.9	49.0	54.0	58.0
Cash & cash equivalents	2.9	3.7	2.3	7.4	5.9	5.8
Other assets	1.2	1.3	1.3	1.4	2.5	2.7
Total assets	**79.6**	**77.5**	**89.6**	**132.8**	**142.7**	**151.6**
Equity	19.2	22.4	23.8	38.3	47.0	56.7
Provisions	4.2	2.3	1.4	1.4	1.4	1.4
Minorities	0.4	0.5	0.1	0.1	0.1	0.1
LT debt	10.6	10.7	1.8	4.0	4.0	4.0
ST financial debt	18.7	18.8	31.0	40.0	35.0	30.0
Payables	17.9	20.7	27.7	44.1	48.6	52.2
Other liabilities	8.6	2.0	3.7	4.9	6.7	7.2
Total liabilities	**79.6**	**77.5**	**89.6**	**132.8**	**142.7**	**151.6**

Source: company data, KBC Securities estimates

IPTE paid € 15.4m for the Barco division

IPTE paid € 15.4m for Barco Manufacturing Services, as we saw in the 2Q07 cash flow statement. This implies IPTE paid only one quarter of Barco Manufacturing Services' 2006 sales!

Capex for 2007 at € 7.8m…

For 2007, we expect capex of € 7.8m, or 3.2% of company sales. Beside the normal investments of € 4.5m, the company also plans an extra investment of € 1.5m in the Czech Republic, where it wants to expand its production facility. IPTE will also pay € 1.8m for a new plant in Kampenhout, Belgium, to facilitate extra production, logistics and storage.

Cash flow statement

€ m	FY04	FY05	FY06	FY07E	FY08E	FY09E
Net profit	-5.6	2.0	1.9	7.5	8.7	9.7
Non-cash adjustments	6.0	1.6	2.5	6.1	6.7	7.2
Working capital changes	0.2	0.8	-6.5	-3.8	-5.2	-4.7
Operating cash flow	**0.6**	**4.4**	**-2.1**	**9.8**	**10.2**	**12.2**
Capex	2.8	3.8	3.0	7.8	6.7	7.2
Free cash flow	**-2.2**	**0.7**	**-5.0**	**2.0**	**3.4**	**5.0**
Acquisitions	1.2	0.0	0.6	15.4	0.0	0.0
Total Investing cash flow	4.0	3.8	3.5	23.2	6.7	7.2
Financing cash flow	-8.8	0.2	4.2	11.2	-5.0	-5.0
Change in cash	**-12.2**	**0.8**	**-1.4**	**-2.2**	**-1.6**	**0.0**

Source: company data, KBC Securities estimates

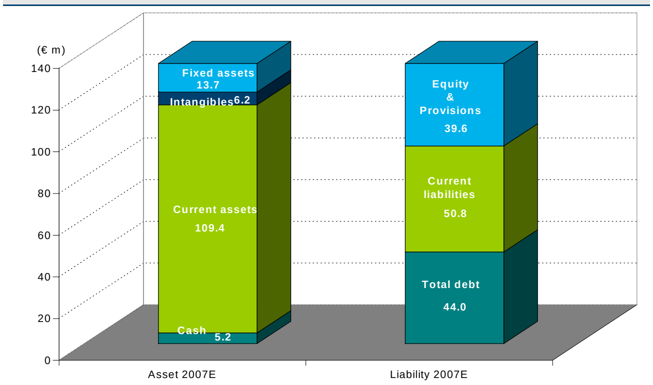
… and 2.5% of sales in subsequent years

For the following years, we expect capex to represent around 2.5% of total sales. As a result, we pencilled in a capex FY08E of € 6.7m and for FY09E, € 7.2m.

FCF to be used for debt repayment

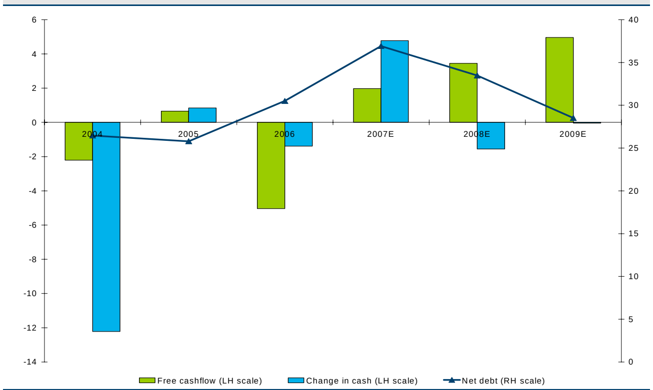
We forecast € 3.4m in free cash flow in FY08, up from € 2.0m in FY07, thanks to profit growth and the lower capex. FCF is expected to improve further to € 5.0m in FY09. We expect the company to use the generated cash to pay off the debts taken on to acquire the Barco Manufacturing Services division.

Balance sheet FY07



Source: company data

Free cashflows



Source: company data, KBC Securities estimates

Valuation

DCF

Our DCF-based valuation of the IPTE stock is based on the following assumptions:

- Detailed forecasts for the 2007-2016 period, including
- 1.6% sales growth from 2010 onwards;
- An EBIT margin hovering between 3 and 4%;
- 2% perpetual FCF growth as from 2016;
- Capex between 2.5% and 3% of sales;
- Beta of 1.5;
- Risk premium of 3.5%, risk free rate of 4.5%.

DCF valuation yields a € 12.6 value for the IPTE share

Using the discounted cash flow method, with a WACC of 8.8%, we calculate an equity value per share of € 11.4.

DCF Valuation

€ m	Operating CF	Capex	Working Cap	Free CF	PV FCF
2007	16.7	-7.8	-3.8	5.1	4.9
2008	18.6	-6.7	-5.2	6.6	5.9
2009	19.8	-7.2	-4.7	7.8	6.4
2010	17.7	-7.6	-3.4	6.7	5.0
2011	19.3	-7.8	-2.1	9.4	6.5
2012	16.3	-8.0	-1.3	7.0	4.5
2013	18.4	-8.0	-0.8	9.6	5.6
2014	19.8	-8.1	-0.2	11.6	6.2
2015	17.3	-8.1	-0.2	9.0	4.5
2016	17.3	-8.1	-0.2	9.0	4.1
Residual value (LT growth = 2%)					**65.7**
Total enterprise value (€ m)					**119.5**
Net debt					30.5
Acquisition cost Barco MS					15.4
Exercise warrants					7.0
Provisions & Minorities					-1.5
Value of Equity					**87.5**
Number of shares (m) including exercised warrants					6.934
Equity value per share					**11.4**

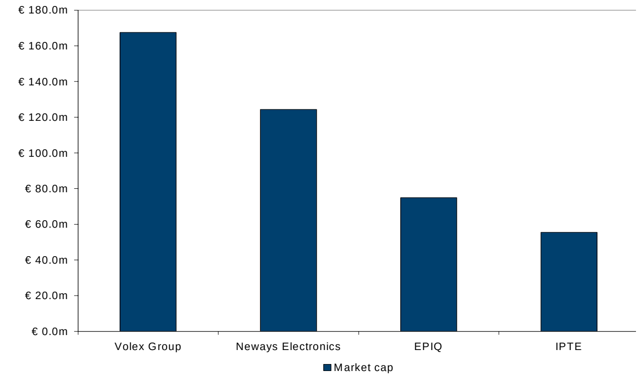
Source: KBC Securities estimates

Peer group

Big versus small

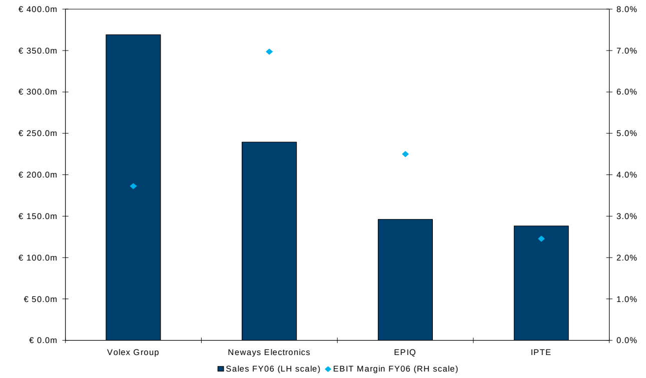
Comparing IPTE to other companies is not easy. In contrary to other CEM players, IPTE is also active in factory automation. Market caps also vary widely in the electronics industry, hence the separation of the big players from the small in our comparison table below. Large caps are trading with a premium to their smaller rivals. This can be explained by the higher liquidity, and the recent M&A activity in the sector. In June, Flextronics announced plans to acquire Solectron, making it the biggest player in the field.

Market cap peers



Source: JCF, KBC Securities

Sales and EBIT margin peers (2006)



Source: JCF, KBC Securities

Clearly undervalued

An overall look at the valuations of both the large and small players shows clearly that IPTE is trading with a substantial discount versus its peers. Even if we take into account a discount for its low liquidity, we still think the stock is cheap in comparison. Valuation multiples are currently at 7.5x P/E07E and 6.4x P/E08. EV/EBITDA07E stands at 5.7x and EV/EBITDA08E at 4.8x. These are based on the fully diluted shares outstanding as of October 2007. We believe this large valuation gap again illustrates the strong upside potential we see in the IPTE stock.

Competitors comparison in the electronics industry

	Country	Market Cap.	P/E 07E	P/E 08E	EV/EBITDA 07E	EV/EBITDA 08E	EV/EBIT 07E	EV/EBIT 08E
Large Cap								
Flextronics Intl	Singapore	5,099	12.4 x	10.5 x	7.3 x	6.2 x	10.9 x	9.1 x
Jabil Circuit Inc	US	3,385	23.9 x	15.6 x	10.1 x	7.8 x	18.2 x	11.9 x
Solectron Corp.	US	2,605	18.9 x	15.8 x	9.2 x	7.8 x	16.0 x	13.0 x
Average			18.4 x	14.0 x	8.9 x	7.2 x	15.0 x	11.3 x
Small Cap								
Volex Group	UK	161	17.2 x	13.1 x	7.5 x	6.1 x	9.8 x	7.7 x
Neways Electronics	NL	136	9.5 x	10.7 x	5.7 x	4.9 x	6.7 x	6.3 x
EPIQ	BE	75	12.5x	9.3 x	6.8 x	5.8 x	10.3 x	8.5x
Average			13.3 x	11.9 x	6.6 x	5.5 x	8.3 x	7.0 x
IPTE	**BE**	**56**	**7.5 x**	**6.4 x**	**5.7x**	**4.8 x**	**9.0 x**	**6.6 x**

Source: JCF (as of 03/09/2007), KBC Securities

Conclusions

Buy rating with a target price of € 11.0

We are reinitiating our coverage on IPTE with a Buy rating, and set our target price at € 11.0. This target price implies a P/E07E of 10.2x and a P/E08E of 8.8x. EV/EBITDA multiples for 2008 and 2009 are respectively at 6.9x and 5.8x. This puts IPTE line with the valuations of its small-cap peers. Even though the share price recently jumped on strong company results, we still don't feel the current price fully reflects the turn-around of IPTE, which is underpinned by strong growth at Contract Manufacturing and improved profitability at Factory Automation.

Contracting Manufacturing of growing importance

Contract Manufacturing is clearly becoming the most important division for IPTE, and one whose lower sensitivity to economic slowdowns has given it the most consistent results in the group, thereby improving IPTE's risk profile. Even without further acquisitions, the division can become a steady cash generator, but with them, its results can climb higher in the future.

Factory Automation has room left to upscale profitability

Factory Automation seems to be settling down after years of misery, finally profiting from the good market environment and management's new strategy. The margin recovery suggests the division's profitability is now assured and the expanding production facility in China might also lead to new contracts in the region.

IPTE: a bargain investment

All in all, we feel the company is back on track, based on a combination of healthy market conditions, a strong set of results expected for FY07 and the possibility of further expansion in the future. Comparing the current multiples to those of its peers, IPTE's share price looks like a bargain. With our DCF-model currently standing at € 11.4, we've applied a small discount to obtain a target price of € 11.0, which implies 39% upside on the current share price!

Financial data

Income statement (€ m)	2004	2005	2006	2007E	2008E	2009E
Sales	128.6	126.7	138.3	245.2	269.8	290.0
COGS	-103.8	-97.9	-109.9	-203.2	-222.7	-239.7
Gross profit	24.8	28.8	28.4	42.0	47.0	50.2
Operating costs	-25.8	-24.6	-25.3	-32.3	-35.6	-38.1
Other income & costs	-0.8	0.0	0.3	0.8	0.8	0.9
EBIT	-1.8	4.2	3.4	10.5	12.3	13.1
Net interest	-3.8	-2.0	-1.4	-2.5	-2.7	-2.3
Other non-operating	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax earnings	-5.6	2.2	2.0	8.0	9.7	10.7
Taxes	0.0	0.0	-0.1	-0.5	-1.0	-1.1
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued & other	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated earnings	-5.6	2.2	1.9	7.5	8.7	9.7
Minority interests	0.0	-0.1	0.0	0.0	0.0	0.0
Net earnings	-5.6	2.0	1.9	7.5	8.7	9.7
Depreciation and amortisation	-3.2	-2.6	-2.6	-6.1	-6.7	-7.2
Amortisation other intangibles/ Impairments	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring elements included in EBIT	0.0	0.0	0.0	0.0	0.0	0.0
REBITDA	1.4	6.8	6.0	16.6	19.0	20.3
EBITDA	1.4	6.8	6.0	16.6	19.0	20.3
REBITA	-1.8	4.2	3.4	10.5	12.3	13.1
EBITA	-1.8	4.2	3.4	10.5	12.3	13.1
Net earnings from continued operations	-5.6	2.0	1.9	7.5	8.7	9.7
Adjusted net earnings	-5.6	2.0	1.9	7.5	8.7	9.7

Balance sheet (€ m)	2004	2005	2006	2007E	2008E	2009E
Intangible assets	5.5	6.2	6.2	6.2	6.2	6.2
Tangible assets	10.7	12.0	12.2	13.9	13.9	13.9
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	1.2	1.3	1.3	1.4	2.5	2.7
Inventories	22.8	24.0	28.9	49.0	54.0	58.0
Receivables	36.5	30.3	38.7	55.2	60.7	65.2
Cash & equivalents	2.9	3.7	2.3	7.1	5.5	5.5
TOTAL ASSETS	79.6	77.5	89.6	132.8	142.7	151.5
Equity	19.2	22.4	23.8	38.3	47.0	56.6
Minorities	0.4	0.5	0.1	0.1	0.1	0.1
Provisions	4.2	2.3	1.4	1.4	1.4	1.4
LT financial debt	10.6	10.7	1.8	4.0	4.0	4.0
Other liabilities	8.6	2.0	3.7	4.9	6.7	7.2
Payables	17.9	20.7	27.7	44.1	48.6	52.2
ST financial debt	18.7	18.8	31.0	40.0	35.0	30.0
TOTAL LIABILITIES	79.6	77.5	89.6	132.8	142.7	151.5
Net working capital	41.4	33.6	39.8	60.1	66.1	71.0
Capital employed	49.9	50.6	55.5	75.3	79.5	83.9
Net debt	26.5	25.8	30.5	36.9	33.5	28.5
Net debt, incl. off-balance items	26.5	25.8	30.5	36.9	33.5	28.5

Cash flow statement (€ m)	2004	2005	2006	2007E	2008E	2009E
Consolidated earnings	-5.6	2.0	1.9	7.5	8.7	9.7
Depreciation, amortisation & impairment	3.2	2.6	2.6	6.1	6.7	7.2
Other cash flow from operations	2.8	-1.0	-0.1	0.0	0.0	0.0
Change in working capital	0.2	0.8	-6.5	-3.8	-5.2	-4.7
CASH FLOW FROM OPERATIONS	0.6	4.4	-2.1	9.8	10.2	12.2
Net capital expenditure	-2.8	-3.8	-3.0	-7.8	-6.7	-7.2
Acquisitions / disposals	-1.2	0.0	-0.6	-15.4	0.0	0.0
Other cash flow from investments	0.0	0.0	0.0	0.0	0.0	0.0
CASH FLOW FROM INVESTMENTS	-4.0	-3.8	-3.5	-23.2	-6.7	-7.2
Dividend payments	0.0	0.0	0.0	0.0	0.0	0.0
Shares issues	0.0	0.0	0.0	7.0	0.0	0.0
New borrowings / reimbursements	-8.8	0.2	4.2	11.2	-5.0	-5.0
Other cash flow from financing	0.0	0.0	0.0	0.0	0.0	0.0
CASH FLOW FROM FINANCING	-8.8	0.2	4.2	18.2	-5.0	-5.0
Fx and changes to consolidation scope	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	-12.2	0.8	-1.4	4.8	-1.6	0.0
Free cash-flow	-2.2	0.7	-5.0	2.0	3.4	5.0
Change in net debt	26.5	-0.7	4.7	6.4	-3.4	-5.0

Performance criteria	2004	2005	2006	2007E	2008E	2009E
Sales growth	-	-1.5%	9.2%	77.3%	10.0%	7.5%
Gross profit growth	-	16.1%	-1.4%	48.2%	11.9%	6.8%
REBITDA growth	-	387.1%	-10.8%	175.5%	14.6%	6.6%
EBITDA growth	-	387.1%	-10.8%	175.5%	14.6%	6.6%
REBITA growth	-	-331.9%	-19.2%	209.2%	17.3%	6.2%
EBIT growth	-	-331.9%	-19.2%	209.2%	17.3%	6.2%
Pe-tax earnings growth	-	-138.4%	-6.5%	296.3%	20.8%	11.2%
Net earnings growth	-	-136.3%	-9.2%	302.3%	16.3%	11.2%
Earnings growth from continued operations	-	-136.3%	-9.2%	302.3%	16.3%	11.2%
Adjusted earnings growth	-	-136.3%	-9.2%	302.3%	16.3%	11.2%
Gross margin	19.3%	22.7%	20.5%	17.1%	17.4%	17.3%
REBITDA margin	1.1%	5.3%	4.4%	6.8%	7.1%	7.0%
EBITDA margin	1.1%	5.3%	4.4%	6.8%	7.1%	7.0%
REBITA margin	-1.4%	3.3%	2.5%	4.3%	4.6%	4.5%
EBIT margin	-1.4%	3.3%	2.5%	4.3%	4.6%	4.5%
Net working capital / sales	32.2%	26.5%	28.8%	24.5%	24.5%	24.5%
CAPEX/ Sales	2.2%	3.0%	2.1%	3.2%	2.5%	2.5%
FCF / Sales	-1.7%	0.5%	-3.6%	0.8%	1.3%	1.7%
Depreciation / Capital Expenditure	114.1%	68.4%	89.2%	78.1%	100.0%	100.0%
Capital expenditure / EBITDA	201.9%	55.5%	49.1%	47.2%	35.4%	35.7%
Net debt / Equity + Minorities	135.0%	112.7%	127.5%	96.2%	71.1%	50.3%
Net debt / EBITDA	19.1	3.8	5.1	2.2	1.8	1.4
EBITDA / net interest	0.4	3.3	4.4	6.6	7.2	8.7
Pay-out ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net earnings margin	-4.4%	1.6%	1.3%	3.0%	3.2%	3.3%
x CE turnover (Sales / avg. CE)	-	2.5	2.6	3.8	3.5	3.6
x Leverage (avg. CE / avg. equity)	-	2.4	2.3	2.1	1.8	1.6
= Return on Equity (avg)	-	9.8%	8.0%	24.1%	20.4%	18.6%
Return on Equity - adjusted (avg)	-	9.8%	8.0%	24.1%	20.4%	18.6%
Return on Capital Employed (avg)	-	8.4%	6.0%	15.0%	14.3%	14.4%
Return on Capital Employed - adjusted (avg)	-	8.4%	6.0%	15.0%	14.3%	14.4%

Per share data (€)	2004	2005	2006	2007E	2008E	2009E
weighted average # shares (m)	5.48	5.48	5.48	6.93	6.93	6.93
weighted average # shares, diluted (m)	5.48	6.21	6.93	6.93	6.93	6.93
Basic EPS	-1.03	0.37	0.34	1.08	1.25	1.39
Adjusted EPS	-1.03	0.37	0.34	1.08	1.25	1.39
Diluted EPS	-1.03	0.33	0.27	1.08	1.25	1.39
Diluted, adjusted EPS	-1.03	0.33	0.27	1.08	1.25	1.39
Diluted EPS: y/y growth	-	-	-18.8%	302.3%	16.3%	11.2%
Diluted EPS: CAGR 3Y	-	-	279.9%	419.9%	-1.0%	3.8%
Adjusted, diluted EPS: y/y growth	-	-	-18.8%	302.3%	16.3%	11.2%
Adjusted, diluted EPS: CAGR 3Y	-	-	56.0%	73.2%	-0.3%	1.2%
REBITDA / share	0.25	1.09	0.87	2.40	2.75	2.93
EBITDA / share	0.25	1.09	0.87	2.40	2.75	2.93
REBITA/share	-0.33	0.68	0.49	1.51	1.77	1.88
EBIT/ share	-0.33	0.68	0.49	1.51	1.77	1.88
Net book value / share	3.51	4.08	4.35	5.52	6.77	8.17
Free cash flow / share	-0.40	0.12	-0.92	0.29	0.50	0.72
Dividend	0.00	0.00	0.00	0.00	0.00	0.00

Valuation data	2004	2005	2006	2007E	2008E	2009E
Max share price (€)	5.58	4.96	6.20	8.40	-	-
Min share price (€)	3.00	2.70	4.29	4.61	-	-
Reference share price (€)	4.10	3.94	5.07	7.92	7.92	7.92
Reference market capitalisation	22.5	21.6	27.7	54.9	54.9	54.9
Enterprise value (€ m)	59.2	55.6	66.8	91.9	87.4	82.2
P/E	-	12.0	18.9	7.4	6.3	5.7
EV/sales	0.6	0.6	0.6	0.4	0.3	0.3
EV/REBITDA	57.8	11.5	13.4	5.5	4.6	4.0
EV/EBITDA	57.8	11.5	13.4	5.5	4.6	4.0
EV/REBITA	-	18.6	23.9	8.8	7.1	6.3
EV/EBIT	-	18.6	23.9	8.8	7.1	6.3
EV/Capital employed	1.6	1.5	1.5	1.2	1.1	1.0
P/ NBV	2.0	1.8	1.6	1.4	1.2	1.0
Free cash flow yield	-5.6%	1.7%	-12.9%	3.6%	6.3%	9.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: KBC Securities *Historic valuation data are based on historic prices

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Stock rating	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 10% over a 6-month period
REDUCE	Expected total return (including dividends) between –10% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	47.70%	50.00%
ACCUMULATE	45.50%	50.00%
REDUCE	3.80%	0.00%
SELL	3.00%	0.00%

As a Contract Electronic Manufacturer, IPTE provides in subcontracting for the assembly of cables and PCB's. Besides, the company is also active in factory automation.
The price target for IPTE is based on following parameters: Discounted Cash Flow (DCF), Absolute Multiples, Peer Group Multiples
The risks which may impede the achievement of our price target are: Pricing pressure, stronger competition from Asian players, underperforming German activities
Any reference made to a DCF valuation for IPTE is based on the following parameters: a forecast period from 2007 until 2016, a perpetual growth rate of 2% and a calculated WACC of 8.8%.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
05-SEP-07	Buy	€ 11.00

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KBC Securities NV
Havenlaan 12
Avenue du Port
1080 Brussels
Belgium
+32 2 417 44 04
Regulated by CBFA

KBC Securities French Branch
Le Centorial
18, rue du Quatre Septembre
75002 Paris
France
+33 1 53 05 35 55
Regulated by AMF

KBC Securities NV Polish Branch

ul. Chmielna 85/87
00-805 Warsaw
Poland
+48 22 581 08 00
Regulated by SEC

Patria Finance as

Jungmannova 24
110 00 Praha 1
Czech Republic
+420 221 424 111
Regulated by CNB

KBC Financial Products
140 East 45th Street
2 Grand Central Tower - 42nd Floor
NY 10017-3144 New York
US
+1 212 845 22 89
+1 866 917 88 88 (toll free)
Regulated by NASD

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