

CORPORATE BACKGROUNDER

Market Overview

The Contract Electronics Manufacturing industry provided over \$90 billion in products and services in 2002, down less than 5% from 2001, and has grown significantly over the prior ten years. Analysts expect 2003 to be flat overall but say it will finish strong, leading into several years of greater than 15% annual growth. Jim Savage, Senior Analyst, Thomas Weisel Partners of New York sees electronics manufacturing demand outstripping supply, resulting in a "scarcity of resources in this industry." Part of this demand will be driven by the telecom industry and Savage predicts that by 2004, the industry's top companies will be outsourcing 30-50% of their COGS, bringing the telecom outsourcing segment to more than \$50 billion.

Two primary factors drive this growth. First is the intrinsic growth in demand for electronics in consumer products, wireless communications, industrial equipment, scientific instrumentation, automotive and telecom applications. Secondly, the electronics industry has for more than two decades recognized that focusing on the core competencies of product development and marketing provides a higher return on investment than performing lower-value-added activities such as materials procurement and manufacturing. Thus, companies are increasing the proportion of their electronics manufacturing which is outsourced.

Company Overview

AeTec is an Electronics Manufacturing Service Provider (EMSP), producing a broad spectrum of electronics such as printed circuit board assemblies to complete systems including consumer packaging, and delivering the finished product to the customers or directly to their customer's customer. AeTec was founded in January of 1992 when its current President & CEO transferred an operation out of Intel, at their request, for the purpose of contracting that operation back to them. The "experiment" was a huge success. Today, AeTec offers the best of both worlds in contract manufacturing, the operational process strengths, systems and discipline of a large EMSP with the flexibility, responsiveness and attention to detail that a small company provides.

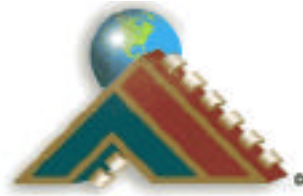
AeTec's competitive advantage to its customers is that they can take their product, whether board, box, system or combination thereof, seamlessly from prototype to cost-effective high volume production, in an ISO 9001 quality certified environment, without having to change manufacturers and duplicate costs. This is possible with AeTec's internal dual source strategy, which offers complete vertical integration from board assembly through full box build, along with the engineering support and prototype services of a local U.S. manufacturer with its Tempe, Ariz. facility, and cost-competitive high volume manufacturing with its Costa Rica facility. Its equipment is of the latest technology and designed to provide high precision and low cost per placement, with maximum flexibility.

As an EMS provider, AeTec is able to focus on and improve each process so that product quality is better, turn time is faster and best of all, total cost of ownership is lower.

Company History

During the mid-1980's, the large semiconductor company where Dan Stuber (now President & CEO of AeTec) worked found itself fighting for market share in this increasingly competitive environment. In the late 1980's, a group of the company's executives went to Japan to benchmark the electronics industry's most efficient companies, and to figure out how they did it.

They returned with several "learning's," one of which was that those companies used outsourcing extensively to accomplish their manufacturing needs. Mr. Stuber's supervisor directed him to identify a few manufacturing operations within the company that could be potential candidates for outsourcing. He then had to choose one and prepare it to go outside as a test case.



Solder Coating of component leads was chosen as the candidate; it was a necessary function, a mature and stable process, took up a lot of valuable facility space and support, and required close attention in order for it to run correctly.

Mr. Stuber spent the next year and a half preparing to transfer the operation outside. He hired and trained his own people, found new positions within the company for the current staff and gradually transitioned the operation out of the current corporate structure. He and his team then transferred the entire operation – equipment, processes, tables, chairs and all – to AeTec's current site in Tempe, AZ. It was considered a success by both companies when a year later yields were higher, cycle times were shorter, the cost of ownership was less and AeTec was profitable. Other services followed and were developed by AeTec as customers' needs arose.

Today, AeTec is the place to go to for any manufacturing technology needed, whether it is currently offered or not. The company simply follows the same winning formula – offer a manufacturing solution to customers that allow them to focus on their core competencies.

Products & Services

AeTec offers a variety of services that fulfill a necessary need for its customers. Some of the services currently offered include:

PC Board Assembly

- Surface mount (Fine pitch), BGA (FBGA, Micro BGA, etc.), through hole & mixed technology
- Single or double sided
- High and low temperature solder
- Design for Manufacturability (DFM)
- Functional and in-circuit testing
- Conformal coating
- Burn in

Complete Box Build Assembly

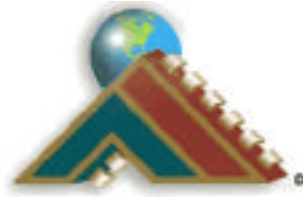
- Plastic Injection Molding
- Sheet Metal Fabrication
- Mechanical Assembly
- Systems integration services

Finished Product Fulfillment

- Custom packaging
- Direct shipment to end user
- Complete packaging with customer specific documentation/printed materials

Power Converter Assembly

- Board Assembly
- Manufacture of transformers and inductors
- Potting
- Burn in
- Mark
- Complete Test



Professional Services

- Program and project management services
- Materials Procurement
- Logistics and Inventory Management
- Engineering and Design Support Services

Community Outreach

AeTec is regularly on the lookout for new ways to get involved with our community. The company currently works with community agencies, as well as other local and national charities. AeTec has adopted families at Thanksgiving, Christmas, and back-to-school time. Some of the groups that AeTec has supported include Tempe Cares, Junior Achievement, Hon Kachina Council, the Humane Society, American Cancer Society, Special Olympics, Juvenile Diabetes, and various families in Tempe and Guadalupe, Ariz.

Strategic Partners

- Alanco/TSI
- Arrow Electronics
- Avnet Design Services
- Bias Power Technology
- Reliability Inc.
- Roper Scientific

Company Executives

- Dan Stuber, President & CEO
- Dick Jackson, CFO
- Eugenio Gordienko, Manager, Costa Rica Operations
- Mario Binarao, Manager, Engineering & Quality
- Jennifer Basinger, Manager, Finance & Business Development

Employees

AeTec currently employs individuals in Arizona, and Costa Rica and has additional sales offices in Chicago, Ill. and Tampa, Fla.

Associations / Affiliations

- IPC
- SMTA
- AMCHAM

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