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IC Insights Raises 2005 Semiconductor Industry Capital Spending Forecast

2006 Spending Outlook Also Lowered as a Result

Scottsdale, Arizona — April 20, 2005 — IC Insights has revised its 2005 worldwide semiconductor industry capital spending forecast with the new prediction being a reduction of only 5 percent from the amount spent in 2004. Its previous forecast, published in January as part of *The McClean Report 2005*, called for a -10 percent change in spending versus 2004. As a result of the 2005 forecast adjustment, the 2006 capital spending forecast has been dropped to -7 percent instead of the -1 percent previously predicted in *The McClean Report 2005*.

Although industry cycles have historically wreaked havoc on semiconductor producers, the semiconductor equipment suppliers have been whipsawed even more. Overall, total semiconductor industry capital expenditures have typically been unable to display a "soft landing." Moreover, because of the momentum in semiconductor capital spending and capacity that is typically carried over from the peak spending year (2004), spending in the second year after the peak (2006) is usually weaker than the first year after the peak (2005).

Figure 1 lists the top 25 capital spenders ranked by 2005 capital expenditure budgets. These 25 companies are expected to represent 85 percent of worldwide semiconductor capital spending in 2005, up from 75 percent three years earlier in 2002. It is interesting to note that each of the top four companies are expected to spend at least \$2.0 billion in 2005 and, in total, account for over one-third (35 percent) of worldwide semiconductor capital spending outlays! In fact, Samsung and Intel together are forecast to represent 25 percent of worldwide semiconductor capital spending in 2005.

As shown, the top 25 companies are budgeting a 2 percent increase in 2005/2004 spending. In contrast, the remainder of the semiconductor companies (i.e., "others") in total are expected to cut 2005 spending by 17 percent. IC Insights believes that these "other" companies are likely to continue

to increase their spending at a lesser rate (or decrease their spending at a faster rate) than the top 25 companies as they become increasingly reliant on foundries for their IC production.

Top 25 2005 Capital Spenders*

2005 Rank	Company	Headquarters	2004 (\$M)	2005 (\$M, Budget)	05/04 % Change
1	Samsung	South Korea	4,735	5,660	20%
2	Intel	U.S.	3,843	5,600	46%
3	TSMC	Taiwan	2,275	2,600	14%
4	Hynix	South Korea	1,565	2,000	28%
5	UMC Group	Taiwan	2,480	1,500	-40%
6	ST	Europe	2,050	1,500	-27%
7	Infineon	Europe	1,585	1,500	-5%
8	AMD	U.S.	1,440	1,500	4%
9	Micron	U.S.	1,500	1,500	0%
10	Toshiba	Japan	1,875	1,380	-26%
11	Sony	Japan	1,480	1,350	-9%
12	NEC	Japan	1,490	1,300	-13%
13	TI	U.S.	1,298	1,300	0%
14	SMIC	China	1,839	1,000	-46%
15	Powerchip	Taiwan	600	1,000	67%
16	IBM	U.S.	900	950	6%
17	Elpida	Japan	1,200	950	-21%
18	Nanya	Taiwan	1,140	900	-21%
19	Renesas	Japan	870	895	3%
20	Fujitsu	Japan	465	860	85%
21	Matsushita	Japan	870	800	-8%
22	Chartered	Singapore	686	750	9%
23	Philips	Europe	740	625	-16%
24	Winbond	Taiwan	100	600	500%
25	Freescale	U.S.	522	450	-14%
—	Top 25 Total	—	37,548	38,470	2%
—	Others	—	8,161	6,760	-17%
—	Total	—	45,709	45,230	-1%**

*Includes joint-venture spending

Source: IC Insights, Company Reports

**IC Insights' forecast is -5%

Figure 1

The company that has budgeted the largest 2005 capital spending percentage increase among the top 25 is Winbond. The company raised its 2005 capital spending budget 5X its 2004 spending level as the construction of its 300mm fab gets underway. Interestingly, Chinese foundry SMIC, the top 25 capital spender that registered the highest spending rate increase in 2004 (306 percent), has planned the largest budget cut for 2005 (-46 percent)!

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona, is dedicated to providing high-quality, cost-effective market research for the integrated circuit industry. Founded in 1997, IC Insights offers coverage of global economic trends, the IC market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of emerging markets for ICs. For more information, contact 480-348-1133 or info@icinsights.com, or visit www.icinsights.com.