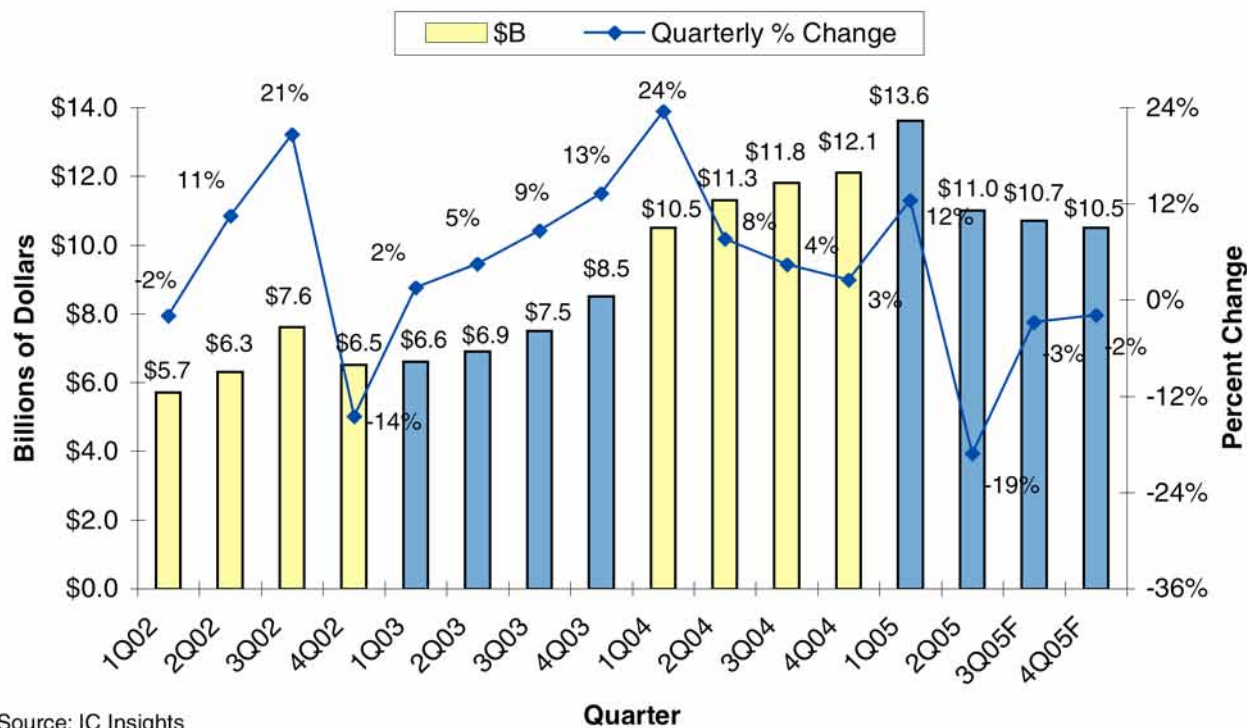


IC INSIGHTS SEES FLAT SEMICONDUCTOR CAPITAL SPENDING IN 2006

Industry expenditures will drop to 19% of semiconductor sales in final half of 2005

Scottsdale, Arizona --- September 26, 2005 --- An updated survey of 2005 spending budgets for 46 major semiconductor manufacturers now shows total chip industry capital expenditures being flat this year versus \$45.7 billion in 2004 (Figure 1). The new data, appearing in the *September Update to The McClean Report* from IC Insights, shows 2005 semiconductor capital spending being slightly higher than the 1 percent decline reflected in IC Insights' *Mid-Year Update* budget survey.

**Worldwide 2002-2005
 Quarterly Capital Spending Trends**



Source: IC Insights

Figure 1

Looking ahead to 2006, IC Insights believes that semiconductor industry spending will be flat or slightly down from 2005. The mid-year outlook called for a 9 percent decline in capital expenditures in 2006.

After sharp swings in quarterly expenditures during the first half of 2005, semiconductor capital spending trends appear to be moderating and holding relatively steady in the final six months of this year. In the first half of 2005, industry capital spending sequentially grew 12 percent in 1Q05, compared to 4Q04, but then plunged 19 percent in 2Q05. Planned outlays now show capital spending sequentially declining 3 percent in 3Q05 and down another 2 percent in 4Q05, resulting in a flat year for total expenditures, based on current budgets contained in IC Insights' *Strategic Reviews Online* database, which profiles device makers and tracks capital spending.

IC Insights estimates that capital spending as a percentage of semiconductor industry sales will be only 19 percent in 3Q05 and 4Q05, down significantly from 25 percent in 1Q05. If worldwide semiconductor revenues grow 5-10 percent in 2006 and semiconductor suppliers keep their spending ratio near 19 percent, a flat-to-slightly down spending environment will prevail in 2006, concludes IC Insights' *September Update* report.

From the latest global survey of major semiconductor producers, IC Insights is forecasting a 15 percent increase in capital spending by North American device makers in 2005 compared to 2004. Korean semiconductor manufacturers are now planning to increase capital spending by 19 percent in 2005. However, semiconductor companies based in Japan, Europe, and Taiwan are cutting capital spending in 2005 by 7 percent, 18 percent, and 2 percent, respectively, according to the IC Insights *Strategic Reviews Online* database. Planned outlays for worldwide semiconductor capital spending now stand at \$45.8 billion in 2005.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, 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 end-use applications driving demand for ICs. For more information, contact +1-480-348-1133 or info@icinsights.com, or visit www.icinsights.com.