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LAGGING CAPITAL SPENDERS BEAR WATCHING

Latest sample shows most large IC manufacturers spent over half their budgets in 1H05

Scottsdale, Arizona --- September 30, 2005 --- A new sampling of first half 2005 actual capital spending outlays by 14 large semiconductor companies shows that five manufacturers spent less than 50 percent of their current budgets in the first six months of this year. The 14 companies represent 56 percent of the world's total semiconductor capital spending budgeted for 2005, according to IC Insights' *Strategic Reviews Online* database, which profiles device makers and tracks investments in manufacturing capacity worldwide.

Silicon foundry giant Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) spent almost two-thirds of its \$2.6 billion annual budget in the first six months of 2005, while Philips Semiconductors only used about one-third of its planned outlays in the same six-month period (Figure 1).

With the 14 sample companies having collectively spent 55 percent of their total 2005 budgets in the first half of the year, semiconductor equipment suppliers should not expect strong second-half sales. Moreover, companies like Chartered Semiconductor, Texas Instruments, Philips, and Semiconductor Manufacturing International Corp. (SMIC)—big potential spenders that spent less than 50% of their budgets in the first half of the year—should be watched especially closely in the second half of the year for any signs of wavering from their current spending plans.

In fact, Shanghai-based SMIC recently announced it trimmed its 3Q05 capital spending budget to a range of \$120-160 million from a previous estimate of \$200-240 million because of longer lead times for fab equipment and delays in qualifications for advanced technology nodes. SMIC managers indicated that delayed tool installations will be completed in 4Q05. Earlier in September, Royal Philips Electronics NV said it would cut \$300 million in annual costs from its

semiconductor business by the end of 2006. The Dutch company did not provide details about those cost reductions, except to say it intends to lower manufacturing and research spending.

Sampling of Actual 1H05 Capital Spending vs. Total 2005 Budget

Company	1Q05 Capital Spending (\$M)	2Q05 Capital Spending (\$M)	1H05 Capital Spending (\$M)	2005 Capital Spending Budget (\$M)	1H05 Percent of Total 2005 Budget
TSMC	1,211	458	1,669	2,600	64%
Atmel	87	53	140	220	64%
ST	564	363	927	1,500	62%
Infineon	506	370	876	1,500	58%
Samsung	1,720	1,600	3,320	5,725	58%
Micron	407	422	829	1,500	55%
AMD	518	303	821	1,500	55%
Intel	1,788	1,389	3,177	5,900	54%
Freescale	118	112	230	450	51%
Winbond	79	247	326	700	47%
Chartered	204	144	348	750	46%
SMIC	343	141	484	1,100	44%
TI	277	257	534	1,300	41%
Philips	103	108	211	625	34%
Total	7,925	5,967	13,892	25,370	55%

Source: Company Reports, IC Insights' *Strategic Reviews* Database

Figure 1

Despite some belt tightening by cautious semiconductor companies, the outlook for industry capital spending appears to be holding steady through the end of next year. IC Insights' updated survey of capital spending plans at 46 major semiconductor manufacturers shows industry expenditures being flat in 2005 and flat or just slightly down in 2006.

IC Insights' *Strategic Reviews Online* database and CD-ROMs provide extensive profiles of over 200 semiconductor manufacturers and fabless IC suppliers worldwide. Online access to these profiles starts at \$1,990 for a single-user password and \$395 for each additional user password.

Multi-user passwords are also available for company-wide access to the online database, which is updated throughout the year. An optional CD-ROM copy of the database is available for \$1,590 and \$395 for additional CDs. More information about the *Strategic Reviews Online* database and CD-ROMs can be found on the Web at www.icinsights.com or by calling IC Insights at +1-480-348-1133.

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.