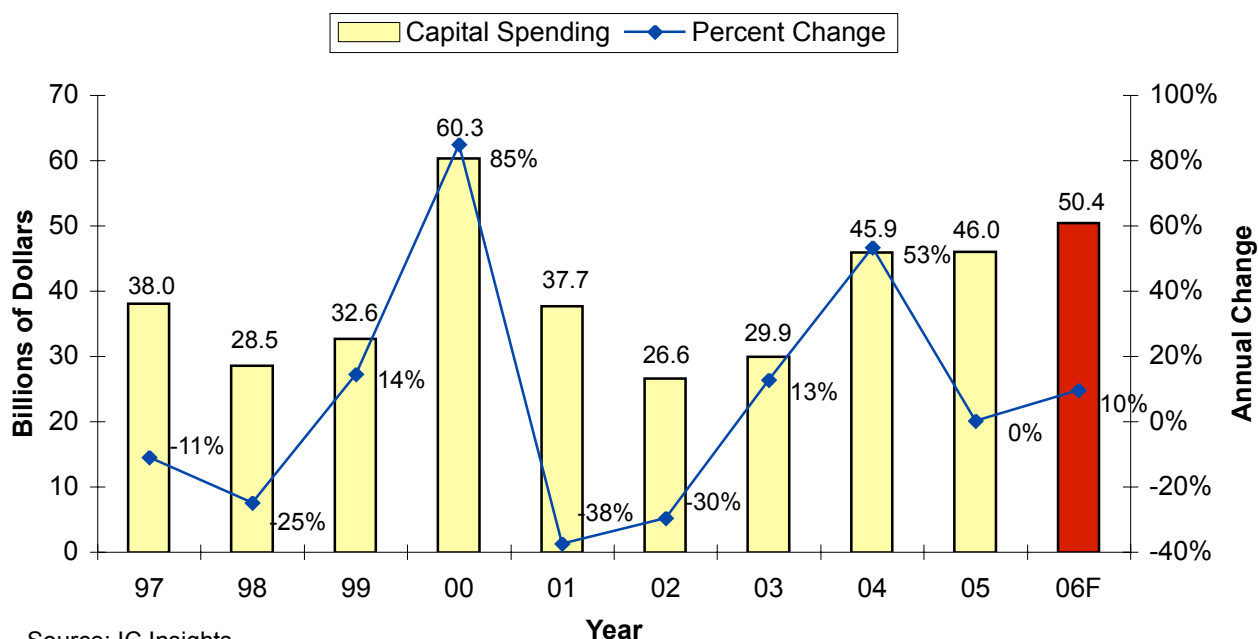


Semiconductor Industry Capital Spending to Increase 10% in 2006
2006 spending to be second highest on record!

Scottsdale, Arizona --- March 15, 2006 --- IC Insights has raised its 2006/2005 worldwide semiconductor industry capital spending forecast to +10%, up from its January 2006 released forecast of +4%. Figure 1 shows that total semiconductor industry capital spending is now forecast to be \$50.4 billion in 2006, second only to the \$60.3 billion spent in 2000.

Worldwide Semiconductor Industry Capital Spending Trends (1997-2006)



Source: IC Insights

Figure 1

In 2004, semiconductor capital spending increased 53% and represented the peak market growth year in the current industry cycle. Although 2006 semiconductor industry capital spending is expected to increase only 10%, it would still be the highest growth rate in the second year after the cyclical peak year in any previous industry cycle!

In 2005, semiconductor capital spending represented only 20.2% of semiconductor sales of \$227.5 billion. Using IC Insights' forecast for an 8% increase in the 2006 worldwide semiconductor market, to \$246.7 billion, and its forecast for a 10% increase in capital spending, to \$50.4 billion, capital spending as a percent of semiconductor sales is expected to rise to only

20.4% in 2006. In contrast, capital spending as a percent of semiconductor sales reached 32% in 1995 and 30% in 2000, two periods of severe overcapacity build-ups.

IC Insights believes that, in total, the IC industry will not build an excessive amount of capacity in 2006. However, overcapacity in individual IC product segments, like flash memory, is still a potential problem. With significant spending by new competitors (e.g., the Intel/Micron joint venture — IM Flash) coupled with aggressive spending by existing players (e.g., Samsung and Toshiba/SanDisk), the flash memory segment appears to be at risk for overshooting its capacity requirements in late 2006 or early 2007.

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.