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R&D SPENDING BY SEMICONDUCTOR COMPANIES EXCEEDS \$30 BILLION PER YEAR

Intel's five-year expenditures account for 26% of investment by top manufacturers group

Scottsdale, Arizona --- July 18, 2006 --- Total R&D spending by semiconductor companies exceeded \$30 billion in 2005, an increase of nearly 10% from 2004. Overall, research and development spending by all semiconductor companies worldwide grew at an annual average rate of 9% between 2001 and 2005. The world's 30 largest fabless semiconductor suppliers increased their R&D expenditures at double that rate during the first half of this decade. This information was derived using company profile information found in IC Insights' newly revised *Strategic Reviews Online* database.

Among the top 25 integrated device manufacturers (IDMs), IC Insights' analysis showed Intel's R&D expenditures were \$22.1 billion between 2001 and 2005, about \$10 billion more than any other semiconductor company. Intel's R&D spending accounted for 26% of total R&D money spent by the top 25 IDMs that manufacture products and break out semiconductor financial results, along with research and development costs. While Intel's R&D expenditures dominated the semiconductor industry, the company's five-year average rate of spending, based on a percentage of sales, was just 14%. In the past five years, the top 25 IC manufacturers averaged 16% of sales for R&D expenditures. The R&D spending level for the top 30 fabless suppliers was 17% of sales based on the analysis from the *Strategic Reviews Online* database.

Five-year R&D results among the sampled top 25 IDMs include:

- Samsung at \$12.0 billion (20% of 5-year sales), 14% of group's total R&D spending;
- Texas Instruments at \$9.0 billion (17% of sales), 10% of group total;
- STMicroelectronics at \$6.4 billion (17% of sales) 7% of group total;
- Infineon at \$6.3 billion (19% of sales), 7% of group total; and,
- Freescale at \$5.2 billion (20% of sales), 6% of group total.

Five-year R&D spending among the top 30 fabless suppliers included:

- Qualcomm at \$3.1 billion (15% of 5-year sales), 19% of group's total R&D spending;
- Broadcom at \$2.4 billion (28% of sales), 15% of group total;
- Nvidia at \$1.3 billion (14% of sales), 8% of group total;
- Xilinx at \$1.3 billion (19% of sales), 8% of group total; and,
- Marvell at \$1.0 billion (23% of sales), 6% of group total.

IC Insights' *Strategic Reviews* analysis also showed that silicon foundries consistently spend less of their sales on R&D compared to IDMs and major fabless customers. However, this is to be expected since foundries do not develop their own products. During the 2001-2005 period, foundry leader Taiwan Semiconductor Manufacturing Co. (TSMC) invested a total of \$1.8 billion, or 6% of sales, on R&D. Among other top foundries, United Microelectronics Corp. (UMC) in Taiwan spent \$1.1 billion in the past five years on R&D, or 9.0% of sales, while Semiconductor Manufacturing International Corp. (SMIC) in China paid out just \$236 million, or 9% of sales, and Chartered Semiconductor Manufacturing Ltd. in Singapore invested \$539 million in R&D, or 14% of sales, between 2001 and 2005.

IC Insights' *Strategic Reviews* Online database contains updated profiles of more than 200 semiconductor companies, including financial highlights for the past five fiscal years, summaries of strategies, snapshots of key alliances, overviews of products and technologies, listings of key management, and descriptions of fabrication plants (more than 500 fabs worldwide). With a common Web browser and password, subscribers can search, sort, and browse company information on their computers, accessing 700 printed pages worth of information. A single-user online password to the database is available for \$2,090 for a one-year period. Additional single-user passwords sell for \$395 each. Multiple-user online access to the *Strategic Reviews* database sells for \$3,790.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor 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.