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Samsung Struggles to Diversify its IC Business

Its success still depends on DRAM and flash marketshare gains

IC Insights' *Strategic Reviews* online database of IC suppliers details the history of Samsung's IC sales and its efforts to diversify its product line. Samsung, with almost \$20 billion in IC sales in 2006, is the second-largest semiconductor supplier in the world, trailing only Intel. Although the company has made an effort over the past five years to diversify its product line, Figure 1 shows that Samsung is still highly dependent upon the memory market (primarily DRAM and flash).

As shown in Figure 1, Samsung had a higher percentage of its IC sales from memory products in 2006 (as well as in 1Q07) than it did six years earlier in 2000. While the company's success in gaining memory marketshare is partially responsible for the high percentage of its sales being dedicated to memory, its lack of success in the logic market must also be noted.

From 2000-2006, the compound annual growth rate (CAGR) of the worldwide memory market was only 3%. In contrast, Samsung's memory sales registered a 2000-2006 CAGR of 12%, four times the worldwide rate! However, Samsung's logic IC sales displayed a 2000-2006 CAGR of only 5%, half the worldwide logic market CAGR of 10% over the same timeperiod.

It is expected that Samsung will continue attempting to lessen its dependence on the memory market. The company's much publicized recent entry into the mainstream IC foundry business is an indication of its desire to diversify. It is interesting to note, however, that Samsung's capital spending allocated to its System LSI group (i.e., its non-memory business) is in decline, shrinking from \$963 million in 2005 to \$773 million in 2006. In fact, the company has budgeted only \$568 million for System LSI spending in 2007, a 40% reduction in two years.

MORE INFORMATION CONTACT

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Samsung's IC Sales Makeup (2000-1Q07)

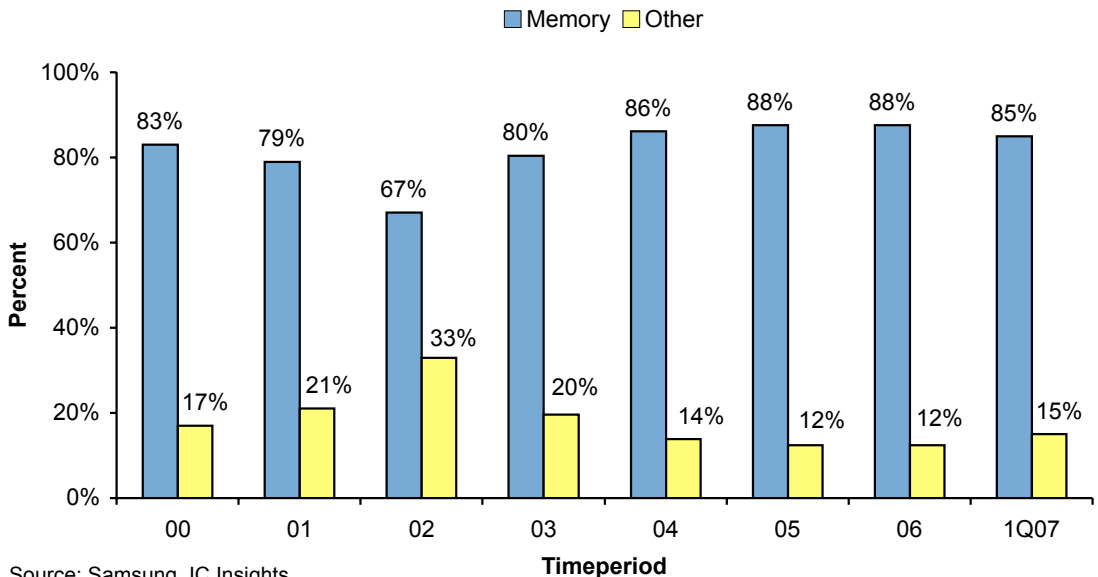


Figure 1

While Samsung Semiconductor tackles the issue of product line diversification, it is also increasing its reliance on internal transfer sales to Samsung Electronics. As shown in Figure 2, the company's internal transfer sales of ICs have more than tripled over the past four years. Overall, internal transfers now constitute about 13% of Samsung's total IC sales, up from 9% in 2002, with much of this increase due to Samsung Electronics' success in the cellular handset market.

Samsung's Surging Internal Transfer IC Sales

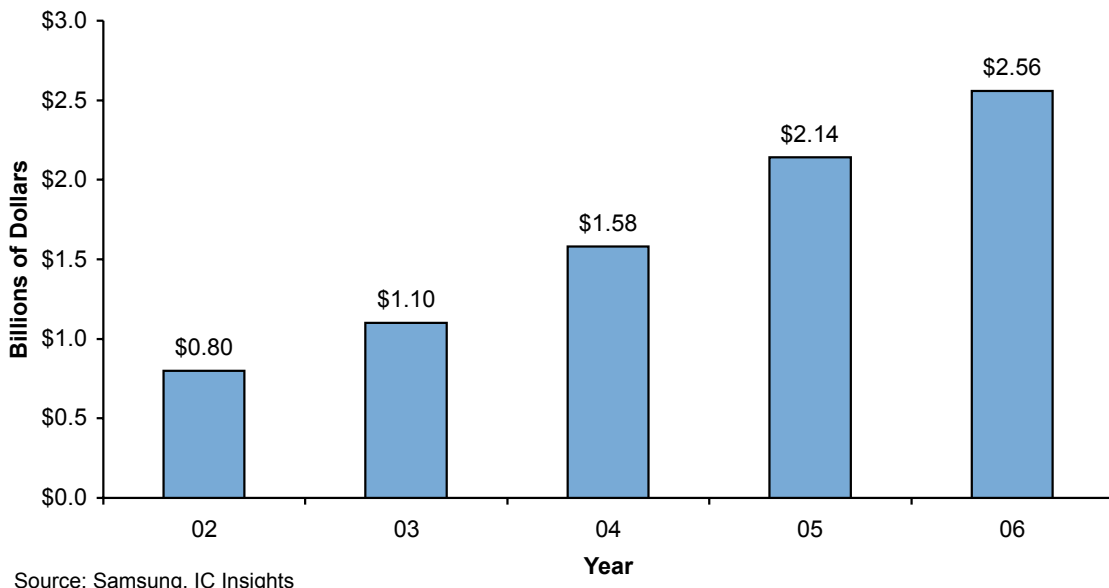


Figure 2

Report Details

Strategic Reviews is a fully searchable online database of over 200 IC supplier profiles that is updated throughout the year. *Strategic Reviews* includes not only detailed worldwide fab data, but also additional company profile information not found in the fab-only databases of our competitors. A single-user online password, good for one year from time of order, is only \$2,090 (with additional user passwords available for \$395). An unlimited multi-user online password costs \$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.

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