

OCTOBER 1, 2009

2009 IC Market Enjoying a "V-Shaped" Recovery

Record quarterly growth occurring during the worst global recession in 63 years!

Since late last year, IC Insights has stressed the importance of looking at 2009 on a quarterly basis in order to get a more accurate and realistic picture of this year's business trends. As will be shown, the 2009 quarterly IC market, especially with regard to unit volume shipments, has already displayed a classic "V-shaped" recovery. This type of recovery illustrates perfectly why it is oftentimes extremely advantageous for companies to form a business plan based on quarterly expectations as opposed to annual forecasts.

MORE INFORMATION CONTACT

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As shown in Figure 1, 4Q08 and 1Q09 registered the steepest drops in IC unit volume shipments on record (going back 30 years). This back-to-back quarterly collapse left IC unit shipment levels at less than two-thirds of the peak shipments in 3Q08. In IC Insights' opinion, this record-breaking drop was caused by a very efficient supply chain adjusting to lower levels of demand as well as "panic" by electronic system producers to slash inventory as fast and as deep as possible. IC Insights showed in its *March Update* that this IC inventory reduction overshot its mark and went significantly beyond what was necessary.

In complete contrast to the highest quarterly IC unit shipment *declines* logged in 4Q08 and 1Q09, 2Q09 IC unit shipments displayed the highest quarterly *growth* rate on record (Figure 2)! As shown, 3Q09 is forecast to register the second-highest quarterly growth rate in IC unit shipments in the past 30 years as well. It is no wonder that on September 21, 2009, TI announced that it was speeding up the ramp of its new IC assembly/test facility in the Philippines to meet what it called "unprecedented demand."

Amazingly, the two highest quarterly increases in IC unit volume shipments on record are taking place during the worst global recession in 63 years! Moreover, the two worst quarterly declines in IC unit shipments and the two best quarterly increases in IC unit shipments will have occurred back-to-back within a 12-month period!

History of Major IC Unit Volume Adjustments "Racing to the Bottom" (Sequential Quarterly Declines)

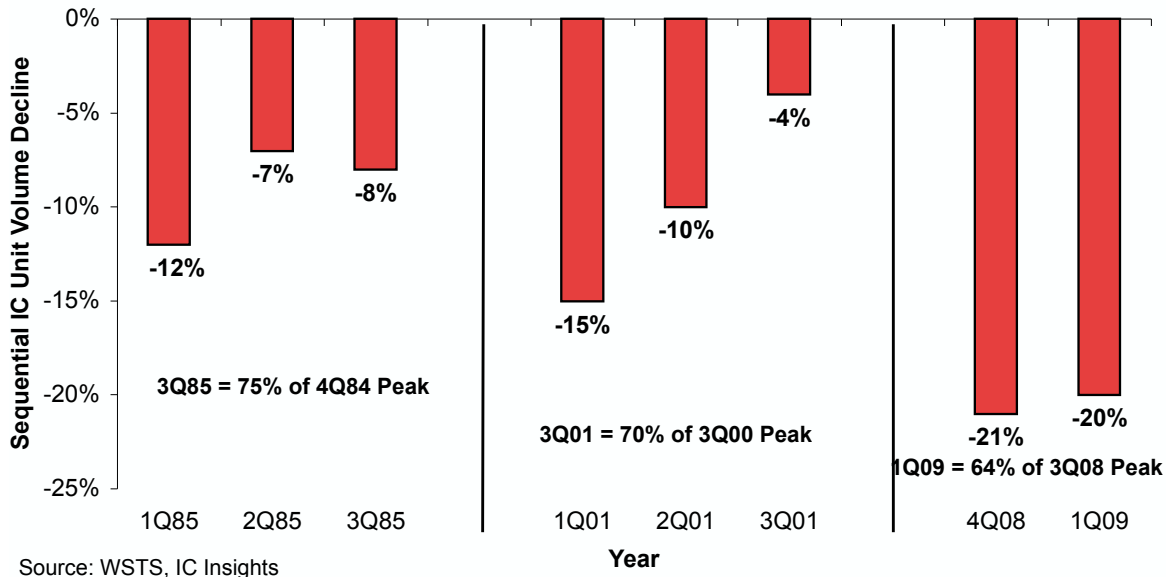


Figure 1

Top 10 Quarterly IC Unit Volume Growth Rates on Record

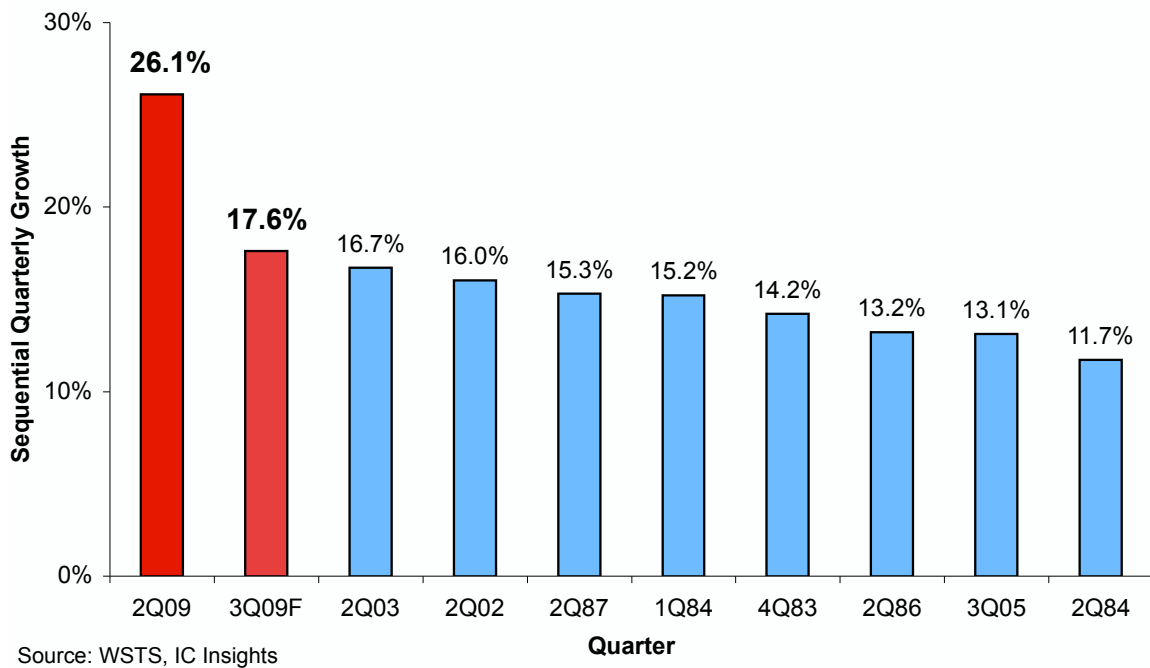


Figure 2

Of course, when the two worst quarterly growth rates are immediately followed by the two best quarterly growth rates, a classic "V-shaped" recovery has occurred (Figure 3). As shown, 3Q09 is forecast to register the second-highest level of IC unit shipments on record at 41.5 billion, 48% higher than the 28.0 billion units shipped in 1Q09. The 3Q09 figure is also expected to be only 6% less than the all-time IC unit shipment high of 44.1 billion set in 3Q08.

In IC Insights' opinion, the current sharp rebound of IC unit shipments taking place during this disastrous global recession reveals a tremendous amount of underlying strength in demand for electronic systems and ICs. As the global economy recovers in 2010 and beyond, both of these segments are likely to enjoy very healthy growth rates.

Full-year 2009 IC unit shipments are expected to be down 8%. As was shown in Figure 3, IC Insights believes that 4Q09 IC unit shipments may be down slightly (-1%) from 3Q09 as the seasonal strength of the market slows toward the end of the quarter. However, if the holiday season beats expectations, 4Q09 has the potential to show an increase in units shipped that could lift the full-year decline to only -7%, which was IC Insights' original forecast in the January 2009-released *McClean Report*).

2005-2009F Quarterly IC Unit Volume Shipment Trend

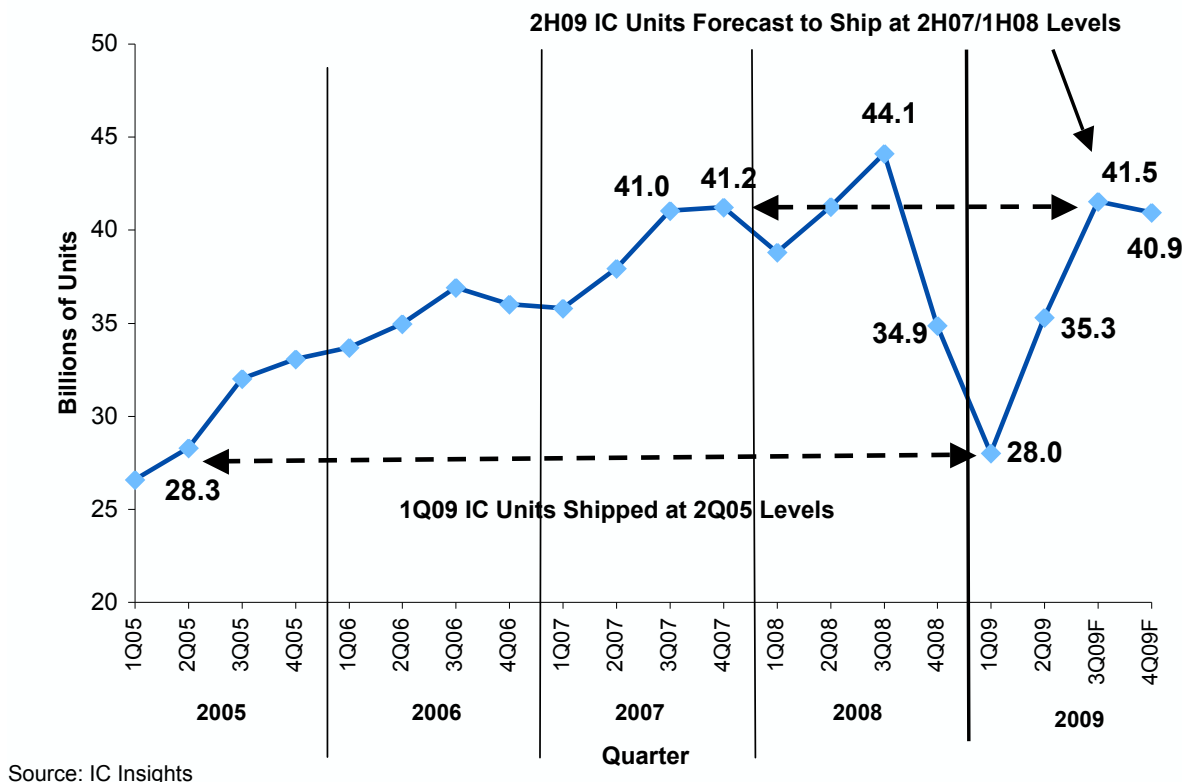


Figure 3

Report Details

IC Insights' *September Update* is a part of its new "Half-Year" *McClean Report* service. The 2009 "Half-Year" *McClean Report* subscription includes the 200+ page *Mid-Year Update* (released July 31, 2009), the August, September, October, and November *Monthly Updates*, as well as access to *The McClean Report* subscriber-only Webcasts in August and November. The new 2009 *Half-Year McClean Report* subscription is **value priced at only \$1,890**.

Note: Current 2009 *McClean Report* subscribers will receive the products/services described above as part of their full-year subscription.

To review additional information about IC Insights' new and existing market research products and services please visit our web site: www.icinsights.com

Announcements

- IC Insights just released an update to its popular *Global Wafer Capacity Analysis and Forecast* report. The report shows that worldwide IC fab capacity has been dramatically impacted by the worst global recession in 63 years and that all of the old assumptions and forecasts regarding IC industry capacity are no longer valid. The study greatly assists IC materials and equipment suppliers in creating their long-term strategic marketing plans by showing current industry capacity, projecting future capacity loads, and dissecting capacity data by technology type, wafer size, geographic region, etc. For more information about the *Global Wafer Capacity Analysis and Forecast 2009* report, please visit www.icinsights.com/prodsrvs/specialstudies/globalcapacity/

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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