

**“Let the market beware...
This is not business as usual”
comments Future Horizons’ Malcolm Penn**

London, UK, 08 July 2008: Despite the lingering negative atmosphere surrounding the chip market, leading semiconductor analyst Malcolm Penn, CEO and Chairman, Future Horizons’ still maintains that the market is holding its own. “Digging beneath the layers reveals a set of market fundamentals that are in remarkably strong form,” comments Penn.

Compared with March, IC units were up in April and asking selling prices (ASPs) were down – the net result being a 7.7 percent revenue decline. However in spite of the industry’s negative consensus, Penn believes that the unit rise and fall was simply the result of the engrained ‘making the quarterly number’ mentality.

“The chip industry has its own complex set of rules, each relatively simple when viewed in isolation, but contriving to interact in a volatile and unique way.” Ultimately, the first step towards being successful in the chip market is in recognising - and dealing with - the recurring nature of the industry, which itself is an intricate web of overlapping and interwoven cycles.

In terms of manufacturing, doing more for less is simply not a viable long-term business model. Eventually the industry will run out of money or a competitor will exit, reducing the competition and eventually allowing prices to rise. The foundries have already precipitated this change by cutting back on capacity, collectively saying that enough is enough.

To put it simply, the fact is that the industry is overcrowded and it is actually better for some firms to just exit the market. Essentially the technology is ‘irrelevant’, what really matters is being first, good enough and competitive. “Like it or not, semiconductors is still a make lunch or be lunch industry and people and execution are the real differentiating factors. “

Falling cap ex, tight capacity, focus on profits, continuing strong market demand, second half seasonal effects - the industry has reached a positive turning point however ultimately the impact on the market is going to be dramatic. “The penny may

not yet have dropped to the table, but – even for the chip industry ever full of surprises – let the market beware; it is no longer business as usual.”

Future Horizons will be discussing the above issues in great detail at the forthcoming mid-term industry forecast seminar (IFS2008-MT) in London on 22 July 2008. To find out more about the seminar, please visit <http://www.futurehorizons.com/>. To obtain a complimentary copy of the latest Future Horizons Global Semiconductor Monthly Report, which has further predictions and analysis, please email futurehorizons@eml.com

About Future Horizons

Established in April 1989, Future Horizons provides market research and business support services for use in opportunity analysis, business planning and new market development. Its industry information seminars and forums are widely considered to be the best of their kind. Emphasis is placed on the world-wide semiconductor and electronics industry and associated markets.

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