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VLSI RESEARCH INC

Worldwide Semi Equipment Sales Ahead of Last Year

Santa Clara, CA, August 24, 2006: Worldwide equipment bookings amounted to \$5.83B in July, while billings reached \$5.18B, according to VLSI Research Inc. The resulting Book-to-Bill ratio was 1.13. The July billings fell one percent below June's level, but were still 13% higher than those from July 2005. Bookings dropped 12.5% from the previous month, but were also 13% above those from a year ago.

The following table summarizes VLSI's latest findings:

Semiconductor Equipment Bookings and Billings (billions of U.S. dollars)				
	Worldwide Bookings	Worldwide Billings	B:B Ratio	Front-End Capacity Utilization Rate
June 2006	6.663	5.233	1.27	91.2%
July 2006*	5.831	5.180	1.13	89.4%
August 2006**	4.904	4.884	1.00	89.2%

* Preliminary

** Forecast

Both front- and back-end capacity utilization rates have been steadily declining since they hit the 95% mark in March. Front-end utilization fell below 90% in July, while that for Test and Assembly hovered at 91%. The utilization picture is expected to improve somewhat as the Christmas build season starts, but should resume a seasonal decline towards the end of this year and into next year. At the same time, orders will trend down as chip makers start to close out their year and anticipate the Christmas Black hole.

So far, 2006 has been a boom year for many equipment manufacturers. The industry sold \$30.5B worth of equipment during the first half of 2006, 17% higher than the corresponding period in 2005. Bookings reached \$37.1B, 55% higher than those from a year ago. However, the growth in equipment sales has been significantly higher than the growth in chip sales as illustrated in the following table:

IC and Equipment Sales, 1H06				
	Equipment		IC	
	Sales	Qtr/Qtr Growth	Sales	Qtr/Qtr Growth
1Q06	15.0	20.2%	50.1	-1.6%
2Q06	15.5	3.1%	49.4	-1.3%

So we are running the risk of a slowdown in equipment sales in 2007 as the industry goes through another phase of capacity digestion.

The data shown in the above table were derived from the August edition of the Industry Pulse Pro® from VLSI Research Inc. Details on this report and other VLSI studies can be found by visiting the website at www.vlsiresearch.com.

Contact: Client Services
 Email: clientservices@vlsiresearch.com
 Tel: (408) 453-8844 Fax: (408) 437-0608

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