ADVANCED FORECASTING

IC Revenues
Turning Points Forecasts

Service Number:	**1**
Forecast Horizon:	**19 months**
Total Reports:	**12**
Refund Guarantee Period (months):	**6**
Price (annual):	**$7,800**

Advanced Forecasting's IC Revenues Turning-Points Forecasts provides an overall view of the major changes in direction for the semiconductor and related industries markets, and alerts the industry of an impending recession or recovery.

Report Includes:

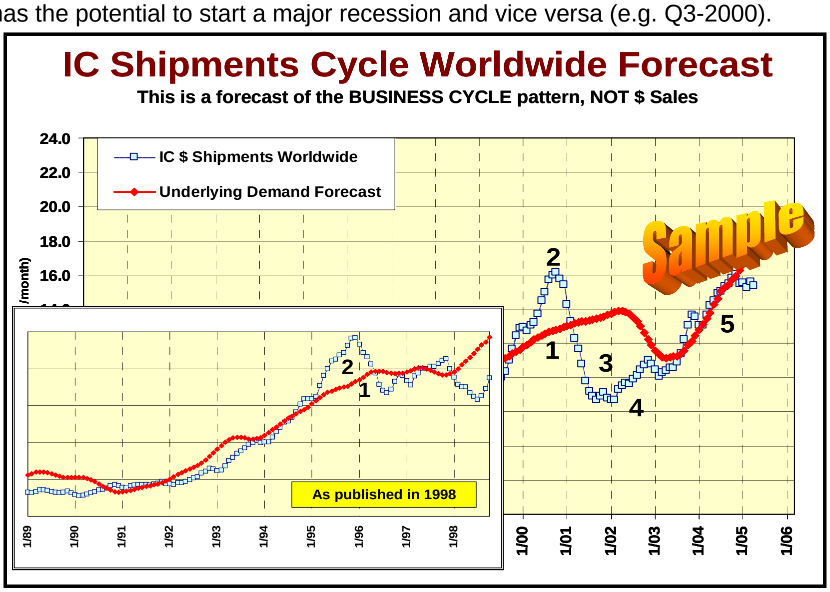
- 19-month Horizon of the **Worldwide IC Cycle**
- 7-month Horizon of **Worldwide IC Sales** (provides finer granularity)
- **Regional forecasts** of IC Revenues: North America, Europe, Japan, and Asia-Pacific
- **Non-Memory** Worldwide IC Shipments Cycle Forecast
- Executive Summary
- Analysis of Forecast and Actual Industry Sales behavior
- **Recovery Index**
- Complimentary Industry Statistics Reports – Semiconductor Equipment and/or ICs

Your Competitive Advantage:

- Optimize **manufacturing load** with fewer adjustments (forecasts aren't modified retroactively)
- **Manage inventory** to increase turns and eliminate write-offs
- **Plan capacity** more accurately
- Manage business **based on facts** (forecasts exclude opinions and extrapolations)
- Purely **Quantitative** Forecast Model
- Top-down forecast to **counterbalance other sources**

Background:

Each monthly issue contains the **Worldwide IC Cycle Forecast** and our interpretation of what the forecast is predicting. Our quantitative models generate a forecast of the theoretical Underlying Demand for ICs. Actual IC shipments follow a direction so as to converge with the Underlying Demand. Even a slight negative change in the slope of Underlying Demand has the potential to start a major recession and vice versa (e.g. Q3-2000).



Legend

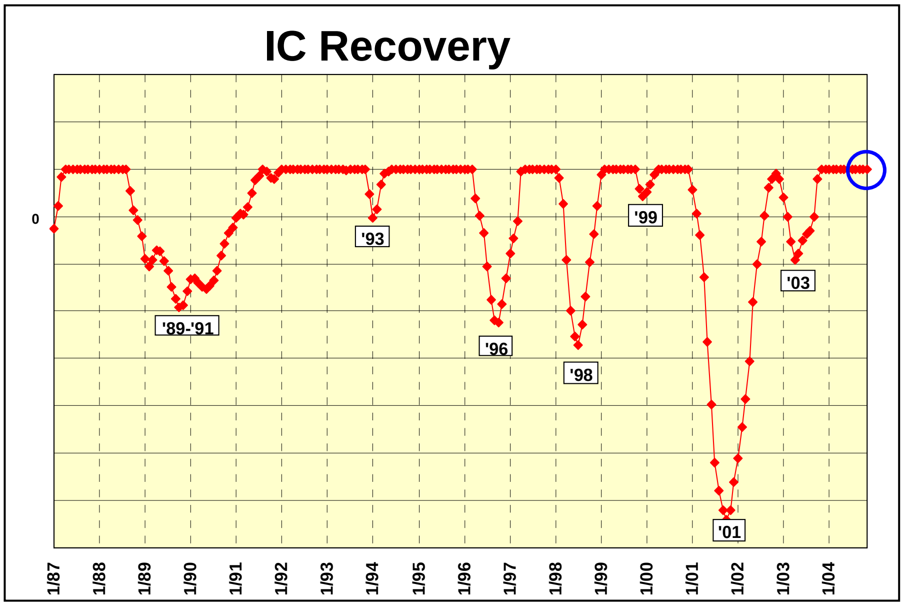
(1) Underlying Demand is forecasted to slow down. (2) Actuals overheat in comparison to Underlying Demand,
(3) resulting in a build up of capacity and inventory, triggering an early and steep collapse.
(4) Actual are significantly below Underlying Demand, therefore, they will increase in order to converge with Underlying Demand (forecast was provided).
(5) From that point on, actuals increased and converged with the predicted demand.

12280 Saratoga-Sunnyvale Rd., Suite 111 Saratoga, CA 95070 USA
Tel. (408) 725-2964 • Fax: (408) 253-1453 • info@adv-forecast.com • www.adv-forecast.com

Chart Above: Advanced Forecasting's forecast line (**red**) is overlaid on actual industry data (**blue**) as published by WSTS. Our analysis of the interaction between the two lines supplies our clients with the information essential to business decisions --The Turning-Points.
Inset – Shows the forecast as it was published until 1998. Note that the forecast line was higher than Actual IC shipments during the 1996 and the 1998 recessions and lower during the 1995 overheated period.
Current View – Shows the forecast as it is currently published. The forecast's vertical scale (Y2) was expanded to obtain a better fit during the 2000 over-heated period. Hence, the current position of the forecast line overstates the 1995 over-heating and the 1997 recovery.

IC Recovery Index

Also included in the service is our **Recovery Index,** a leading indicator, providing alerts of the times at which the IC industry enters a recession, reaches the lowest point of a recession, and returns to a normal rate of growth. The index objectively confirms the occurrence of a major change in direction reassuring decision-makers of this event, and shortening their delay in responding to change.



Analysis over the past 20 years shows that the IC Recovery Index accurately forecasted the Turning Points of five major recessions and announced three times that the IC Industry would enter a localized recession.

Examples:
- -Recession, February 1998
- -Minimum, July 1998
- -Normalcy, February 1999
- -Recession, January 2001
- -Minimum, October 2001

Historical Performance of Forecasts:

March 10th, 2000 - Following an overall healthy business climate in late 1999, AF warned of an impending buildup of over-capacity: "The dome-shaped pattern that AF's long-term forecast is portraying for the first half of 2001 adds to our concern. This forecast has indicated for some time a reduced growth rate for the second half of 2000, that is now evolving into a clear decline".

Result: 2001 was the worst recession in history

January 10th, 2002 - In contrast to the IC growth projections between 14% - 20% by traditional sources, AF cautioned clients of negligible annual growth over 2001: "AF's long-term IC Cycle Forecast does not support a scenario of strong growth in IC $ sales during 2002 – Be Careful." Within the same report we added, "AF maintains that 2002 year-end sales will reach approximately $12B/mo., yielding an annual growth of about 2% over 2001".

Result: 2002 Growth = 1.7%

For more information, please contact:
Rosa Luis, *Director of Marketing and Sales*
Phone: 408.725.2964
Email: rosal@adv-forecast.com