

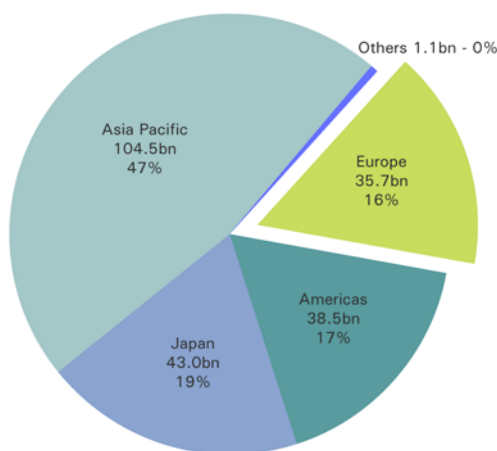
EECA MARKET REPORT

EUROPEAN ELECTRONIC COMPONENT MANUFACTURERS ASSOCIATION

Editor's note:

In reaction to the substantial changes which have occurred in the components industry over the last few years in Europe and elsewhere around the globe, EECA has changed the format of the Market Report to an online yearly update. As of 2007, ESIA (semiconductors) and EPCIA (passive components) will be the two associations directly representing the European components industry at the European level. To ensure future data comparisons, we have concentrated on providing the picture for these two industries for 2006 figures.

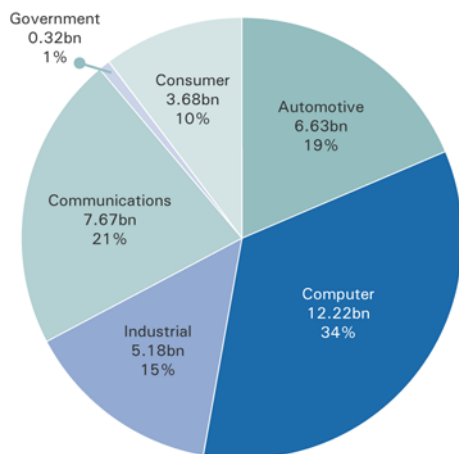
Electronic components worldwide - market size by region 2006
Total Value €223 bn



EECA market size by region

The world semiconductor and passives market grew from a value of €207bn in 2005 to €223bn in 2006. This increase was felt in all regions. The size of the European semiconductor and passive components market remains comparable to that of Japan and the US. With 16% of the world market share (17% 2005), it slightly trails the markets of Japan and the US, with increases resulting higher in all the other regions. The highest increase in market share (2%) was registered in the Asia Pacific region, comprising China, S. Korea, Malaysia, Singapore, Taiwan and Thailand.

Electronic components markets in Europe - all applications 2006
Total Value €35.69bn



EECA all applications

There were only marginal overall changes within the component application segments in Europe between 2005 and 2006. Industrial (e.g. components for power supply or IC card applications), consumer (e.g. components for TV set-top boxes, camcorders, stereo components or fridges) and automotive (ranging from navigation to ABS components) segments all grew slightly. Government applications in the field of aerospace and military were stable, whereas components for communications applications - including wireless handsets and remote access applications - and above all computer (e.g. for PC and data storage) segments witnessed slight decreases. 2006 confirmed the growing share of the European market for automotive and an increase in the European market share in the industrial application segment, while the computer segment maintained its overall predominance in terms of market share.



Sources: EPCIA, Future Horizons

The regional split within Europe

Within Europe, Germany remains the national economy with the highest market concentration, followed by the UK/Ireland. 2006 saw moderate market increases for France and Italy. The highest increases between 2005 and 2006 were in 'other EU15 countries' which include Scandinavian countries, Benelux, Austria and Spain. Here the market growth was around half a billion Euro.

PROFILES OF EECA INDUSTRY ASSOCIATIONS



European Semiconductor Industry Association

Europe's semiconductor market grew by 1.6% in Europe in 2006, corresponding to a market value of \$39.9bn. Worldwide, the market grew 8.9%, surpassing \$247bn in terms of sales, compared to 2005's \$227bn. The greatest growth was registered in China (16.5% / \$68.7bn), followed in 2006 by the US with a 10.3% growth rate compared to 2005. Together, China and Asia Pacific made up for around 47% of worldwide sales. Measured in Euro, Europe's market grew by 0.5% and was valued at €31.8bn.

At the time of writing, worldwide semiconductor market growth rate forecasts for 2007 are undergoing partly significant downward revision by most analysts. While around 6% was the common wisdom forecast at the end of 2006, early 2007 market developments have led organisations closest to industry such as WSTS (World Semiconductor Trade Statistics) to forecasts of around 2.3% in revenue terms, despite a growing number of units sold. In this revised scenario, European growth outstrips all other regions outside Asia Pacific (5.5%), with a 3.9% growth rate forecast.

From a broader application category standpoint, the Industrial segment showed the highest growth in 2006 (22.7%), a well over the worldwide average 7.3%. The Consumer segment showed solid growth over 2005 with 11.4%, again over average compared with 8% ww. The Automotive segment grew a moderate but stable 3.5% in Europe (8% ww), whereas Communications was almost stable (0.6% Europe / 7.5% ww). The Computing segment showed a significant decline in 2006 of 6.4%, primarily driven by the decline of the MPU market, and contrasting to the 10.2% growth ww.

Levels of direct employment in Europe continue to be stable/growing in Europe and are currently estimated to be over 100.000.

Two new European companies were established in 2006 - NXP Semiconductors and Qimonda - as spin offs from Philips Semiconductors and Infineon Technologies respectively.

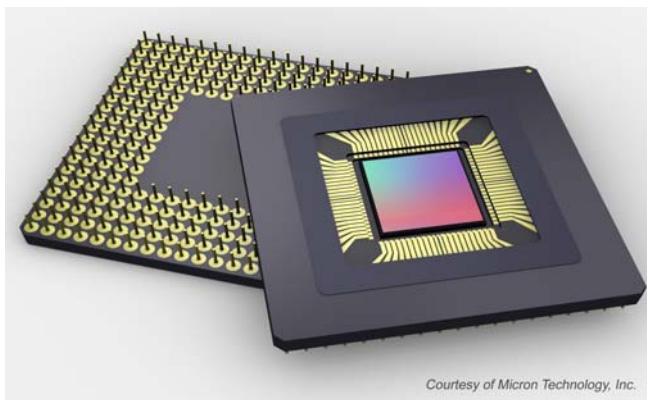
2006 marked a successful year for ESIA, with an increase in range and depth of activities and reinforced membership. A few

particular highlights stand out; such as - the final entry into force of the zero duty multichip agreement in March, or the highly successful hosting of the ISESH (International Semiconductor Environment, Safety & Health conference) in Malta in June. This annual rotating conference allows semiconductor ESH experts from around the world to exchange best practices. It was combined with a fab tour of the Malta site of STMicroelectronics. Furthermore, on the international level July saw a breakthrough in the two year negotiations to bring the CSIA (Chinese Semiconductor Industry Association) into the WSC (World Semiconductor Council) and the Chinese government into the GAMS (Government / Authorities Meeting on Semiconductors). Within Europe, the semiconductor obtained a partial derogation for some critical applications of PFOS in October. Furthermore, November saw the finalisation of the High-level ICT Task Force, for which ESIA received an invitation to participate in from Commissioners Verheugen and Reding. ESIA was represented by the ESIA President and STM CEO Carlo Bozotti and was a key leader in the work group dealing with the link between ICT and Europe's innovative capacity. The final documentation can be found on the EECA-ESIA website. 2006 also saw two new members join ESIA; the NMI (National Microelectronics Institute) and the HSIA (Hellenic Semiconductor Industry Association).

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In 2007 the Presidency of ESIA moved to NXP CEO and President Hans van Houten. Some of the main objectives will be the hosting of the WSC and promoting the European position on a variety of above all trade-related issues such as rules of origin, the expansion of the Multichip agreement and the preparations for the review of the harmonized classification system (HS Code), planned for 2012. Furthermore, work is already ongoing to provide a follow-up to the 2005 Competitiveness Report and there are a variety of ESH challenges already on the horizon.

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The market in 2006 and trends for the next years

EPCIA (European Passive Components Industry Association) is the official representation of the passive components industry in Europe. It focuses on the manufacturers of capacitors, resistors, varistors, thermistors & sensors, electromagnetic components (inductors, chokes, and transformers), EMC filters, RF filters (SAW and microwave ceramics) and RF modules.

The industry provides 70% of the total number of components used in the electronics industry and makes a substantial contribution to both innovation and miniaturisation. This industry currently supports over 35.000 jobs directly in Europe, with around 15 companies sharing 90% of a European market valued at €3,7 bn. Worldwide the passives market is valued at € 24 bn.

After the enormous growth of the year 2000 the passive components industry has declined for three consecutive years, hitting in 2003 the bottom of the longest recession in its history.

After the market of Passive Components has shown some recovery in value with a growth of 3% in 2004, one year later has reversed the trend with a fall of around -3%.

The reason for this reversed trend in Europe has been the price erosion, which has been persisting for five years now. The drop in prices has been greater than the rise in volume which has been continuing from 2002 to 2005, despite some industry moving out of Europe.

The price erosion is very much related to the US Dollar weakness, which reinforced in 2006. The Asian competition and the spare capacity in the passives industry also caused price erosion in the last years. This capacity was boosted by the technological and miniaturisation progress which continuously increases the potential output of the existing manufacturing base.



Courtesy of EPCOS AG

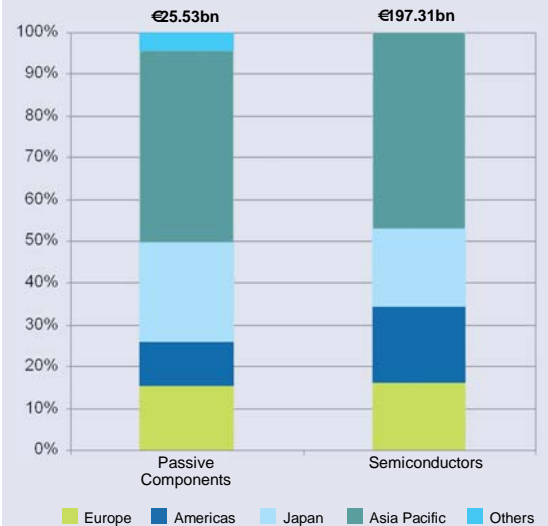
The market segments of Industrial and Automotive have performed best in Europe in 2006 and they will continue to do so in the coming years. The Industrial market segment is very significant and getting a more and more important application sector for Passive Components. It is expected that the Industrial market in most European countries will grow in the coming years due to huge demand in this broad and very diversified sector of "Machine building and Automation". Highest growth expectations for Passive Components are seen for Central Europe while France is suffering most from the production transfer trend to low labour cost areas (Automotive and EMS).

The overall market view for 2007 is optimistic, due to a strong order income in the first two Quarters in 2007.

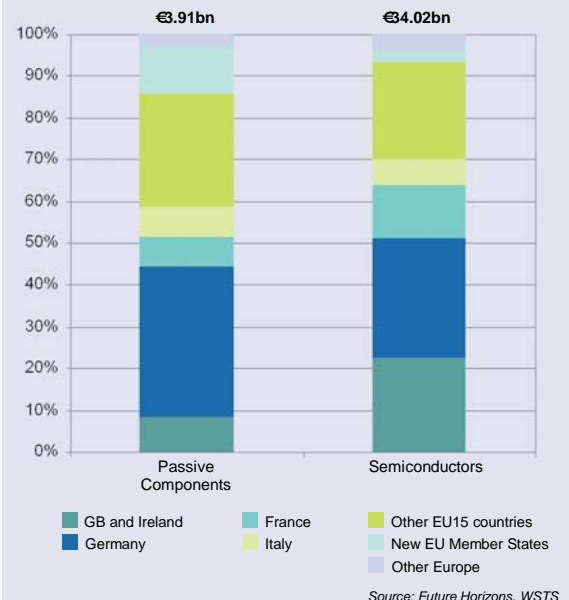
The Association of EPCIA, in coordination with the rest of EECA and the National Associations, has been active in representing the interests of its members vis-à-vis the new EU legislation regarding REACH, EuP and RoHS, that means the use of chemical substances in the manufacturing environment and its regimentation. It continues to promote standardisation amongst manufacturers, and the profile of the Passives Industry throughout Europe.

In cooperation with ECA USA, EPCIA supports CARTS Europe, the most comprehensive Passive Components Technical Forum held in Europe once a year.

Market size by component industry segment and by region



European market by component industry and by country in Europe



Source: Future Horizons, WSTS

Applications by industry segment in Europe

