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Near Term View Of Equipment Universe

- 2008 Capital Spending Cuts – investors are expecting the worst – Dataquest recently lowered from -13.2% to -16.6%. We are at -15%.

Source	Date	2008 Capital Spending Estimates
Dataquest	2/4/08	-16.6%
	12/18/07	-13.2%
IC Insights	12/7/07	-5% to -13%
AMAT	2/12/08	-5% to -15%
	11/14/07	-5% to -15%
LRCX	1/24/08	-10% to -15%
	10/10/07	flat
Tokyo Electron	2/5/08	-10%
	11/13/07	flat to +5%

- Foundries are healthy but rational thinking means fundamentally lower capital intensity
- DRAM overcapacity not likely to lift in the near term, profitability issues could linger into 3Q08
- NAND capacity build-out continues but could be impacted by weakening consumer spending

2008 Capex Guidance Tailed Off After A Strong Start

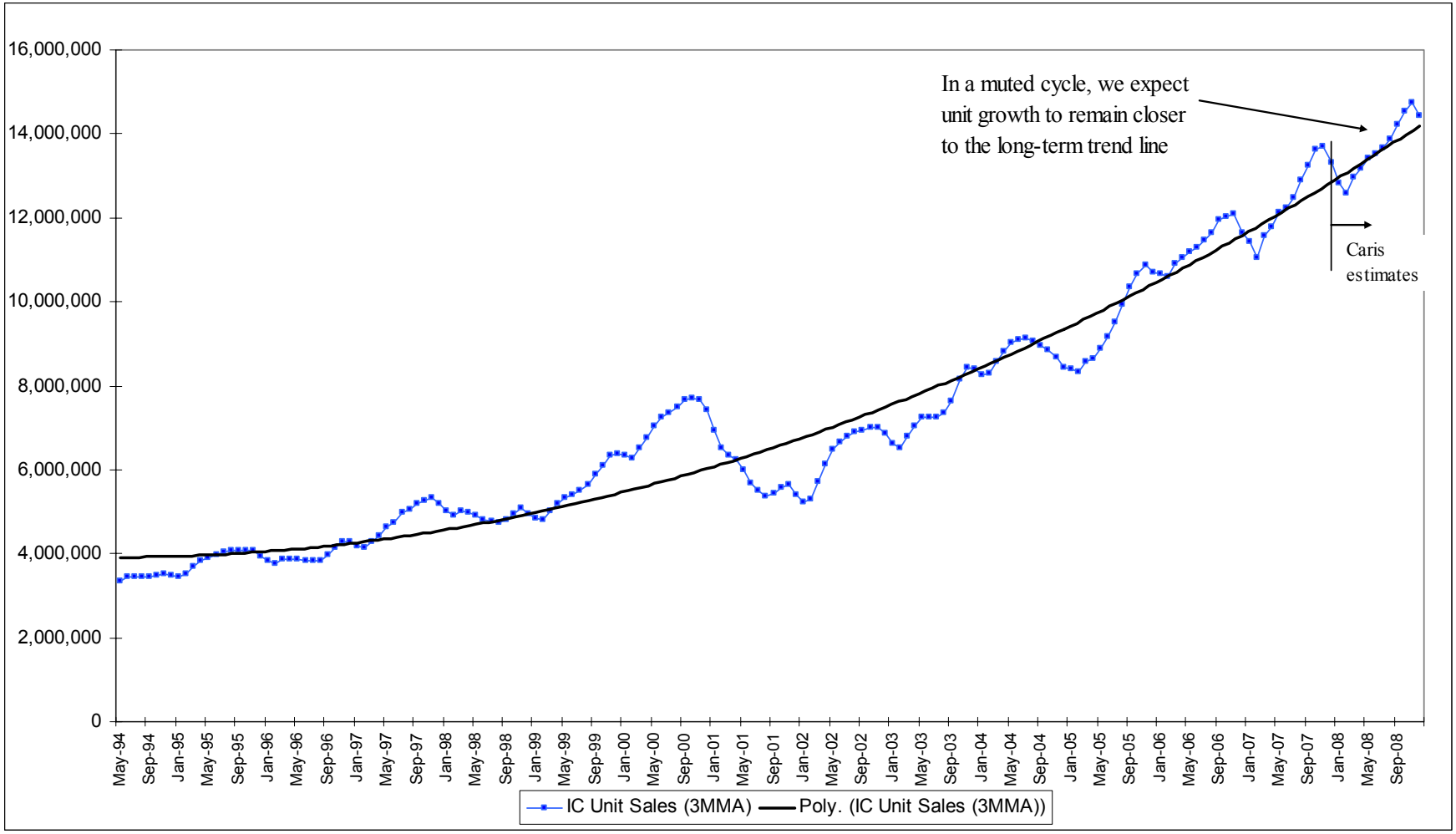
	2007	2008	
	Actual	*Guidance/Estimate*	
Samsung	$7,320	$7,410	
Intel	$5,000	$5,000-$5,400	
Hynix	$5,080	$3,810	
Toshiba	$2,860	$3,400	
TSMC	$2,557	$1,800	
Micron/IMFT	~$3,600	$2,800	
Nanya	$1,450	$1,240	
Powerchip	$1,970	$1,100	
Inotera	$1,360	$930	
Qimonda	~$1,200	$580-$725 FY08 (Sep)	
Spansion	$1,000	$500	
STMicro	$1,140	~$1,000	
TI	$686	$900	
AMD	$1,686	$1,100	
UMC	$900	$500-$700	
CHRT	$758	$630	
Elpida	$1,400	$650	
SMIC	$700	$700	
Infineon	$700	$580-$725 FY08 (Sep)	
Wuhan	$0	$1,000	
			YoY Guidance
IDM Logic	$8,512	$8,200	-3.7%
Memory	$25,080	$19,700	-21.5%
Foundry	$4,915	$4,730	-3.8%
Total	**$38,507**	**$32,630**	**-15.3%**

Source: Company Reports, Caris & Company

Note: Foreign currency converted at current exchange rate

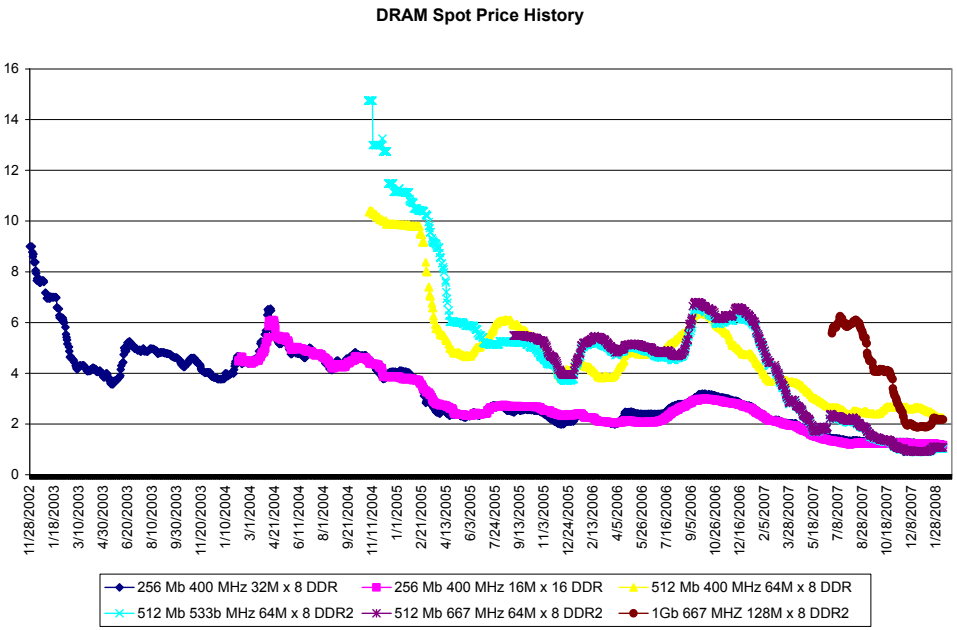
- Intel and Samsung guided capex higher than expectations but follow on weakness has taken the full year spending projection to -15%
- Wafer fab equipment could still show higher growth but we think the best case scenario would be -5% to -10% for wafer fab equipment
- Taiwan foundry spending is projected to be weak, but we think there is increased spending from regional Chinese foundries
- Total memory still dominates capital spending (> 60% of the total)

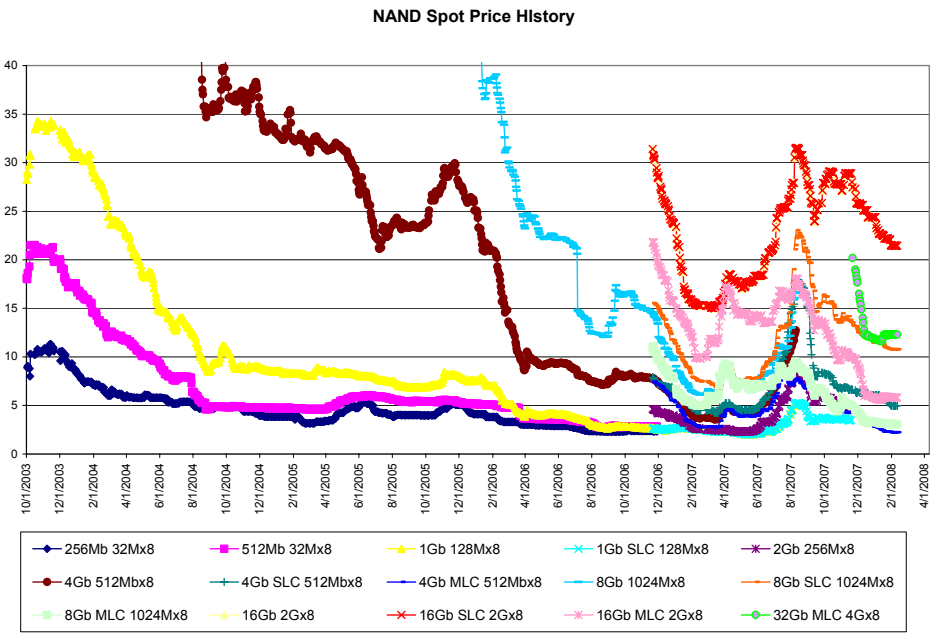
IC Units Likely to Track More Closely to Long-term Trend-line



Source: SIA, Caris & Company

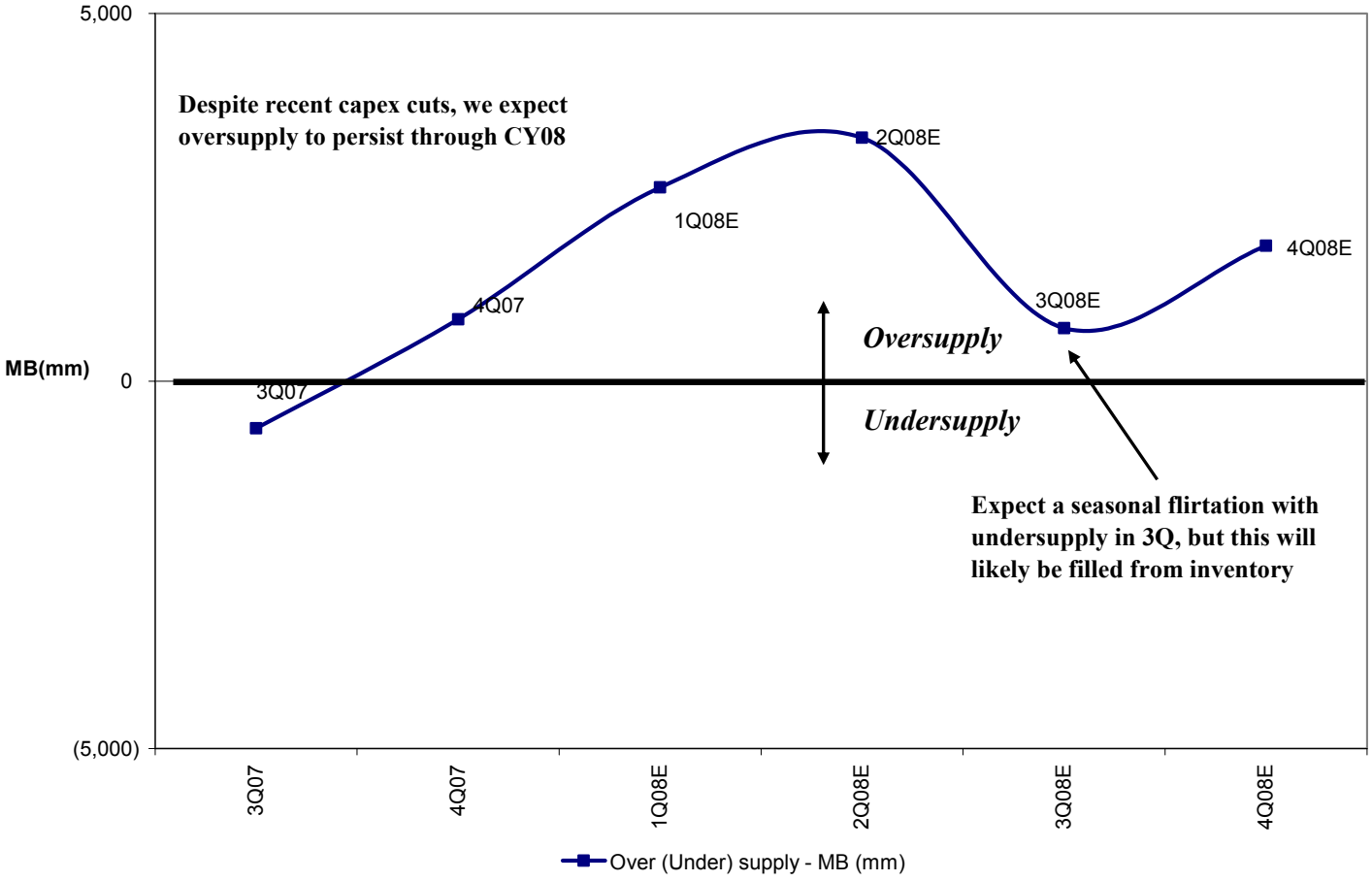
DRAM and NAND pricing have been dropping like a stone





Source: DRAMexchange, Caris & Company

DRAM oversupply will last through CY08



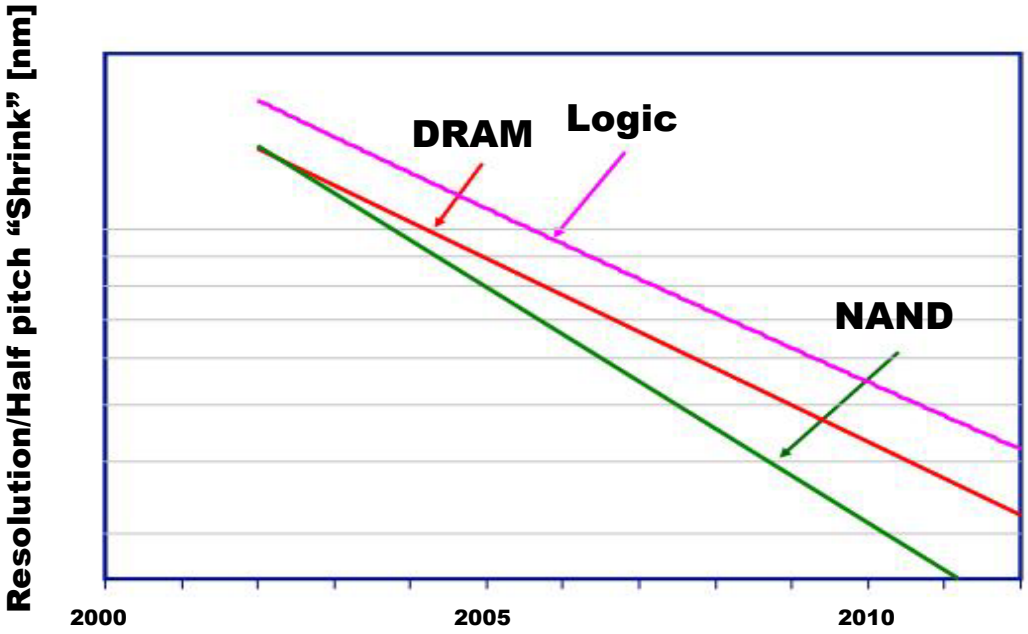
Source: DRAMexchange, Dataquest, company information, Caris & Company

DRAM Industry Has Experienced More Severe Downturns

Downturn	DRAM Revenue Drop	Bit Growth	Capex/Revenue	Response By DRAM Industry
06-07	-7%	90%	40%	Extend applications (Flash etc)
00-01	-61%	60%	64%	Slower Migration (stay at 200MM)
97-98	-29%	88%	50%	Fast technology migration
95-96	-38%	77%	76%	quick exit of 150MM
89-90	-25%	50%	60%	consolidation (e.g. IBM)

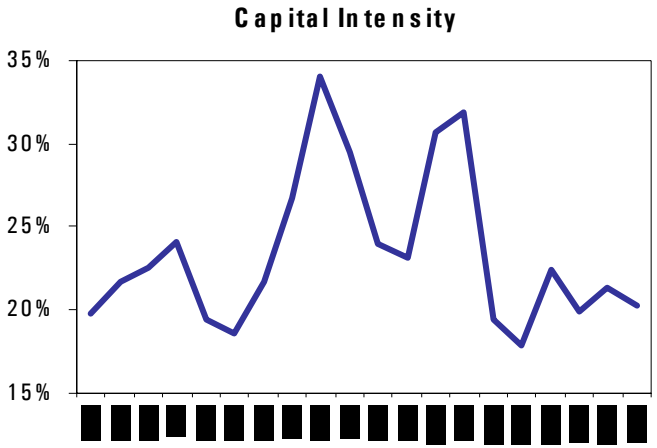
- We expect memory fundamentals will remain weak through 1H08, but the damage is not permanent
- 200mm capacity extinction will start to occur but the rate will not be high, many specialty memory products are still profitable using 200mm capacity
- Expect faster migration of technology in 2008 to continue

NAND Flash Will Continue To Be The New Technology Driver

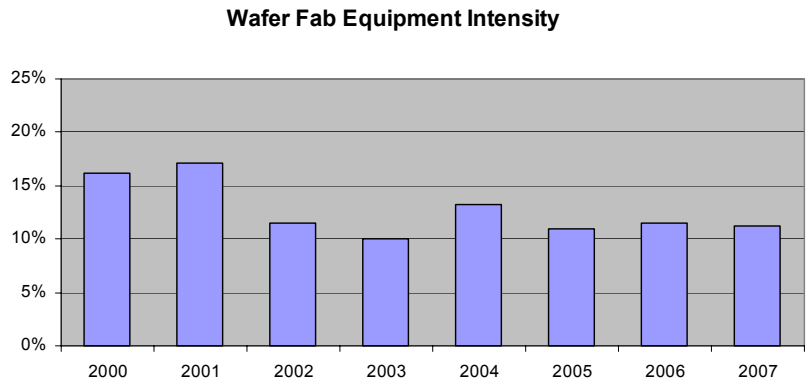


Source: ASML

Wafer Fab Equipment Intensity – No Boost From Leading Edge



Capital Spending divided by Total Semiconductor Revenue

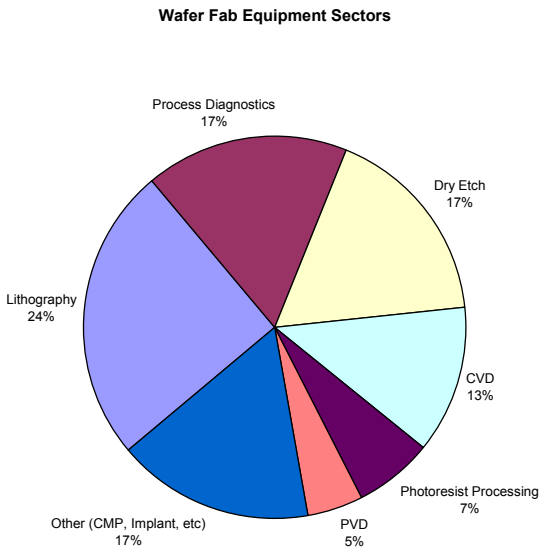


Wafer Fab Equipment Revenue divided by Total Semiconductor Revenue

Equipment pricing and productivity have kept intensity in check through 65nm technology, we expect 45nm to exhibit the same trend

Lithography Sector Continues To Grow

	YoY Growth		
	2005	2006	2007E
Lithography	-4%	22%	12%
PDC	-2%	24%	6%
Etch	-15%	24%	10%
CVD	-13%	9%	6%
Track	-19%	22%	11%
PVD	-22%	10%	-7%
Implant	-13%	17%	-3%
CMP	-21%	20%	-7%
RTP-Ox Diff	5%	20%	0%
Auto Wet Station	-14%	28%	-15%
Total WFE	-8%	19%	3%



Ratings Distribution Chart

Total Securities Rated 105			
Buy			
Number of Ratings	% of Ratings	No. Provided IB Services	% Provided IB Services
59	56.19%	1	1.69%
Hold/Neutral			
Number of Ratings	% of Ratings	No. Provided IB Services	% Provided IB Services
36	34.29%	2	5.56%
Sell			
Number of Ratings	% of Ratings	No. Provided IB Services	% Provided IB Services
10	9.52%	0	0.00%

- First Call ratings are adapted to the above chart as follows: 1 & 2 = Buy, 3 = Hold/Neutral, 4 & 5 = Sell
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- Sell
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