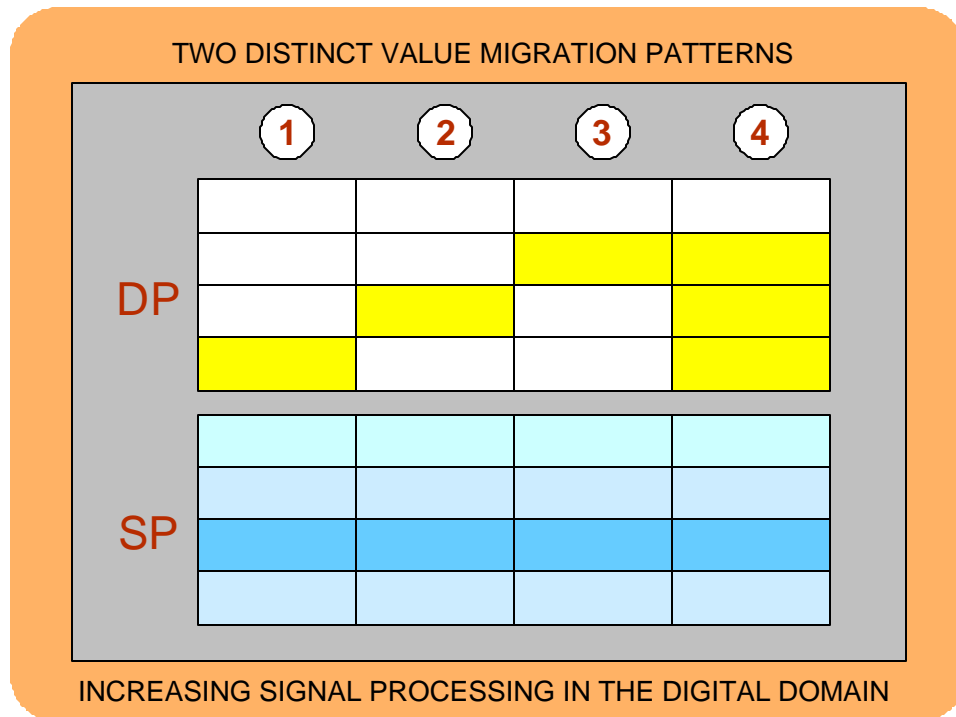


IC Industry Profitability and Growth Series

VALUE MIGRATION IN IC PRODUCT DEVELOPMENT *2006 To 2015+*



Prepared for

June 2006

PETROV GROUP

IC Industry Profitability and Growth Executive Reports

1. *The Future of the Semiconductor Industry—2006 To 2015+*
2. *Value Migration in Semiconductor Product Development Activities—2006 To 2015+*
3. *Two Semiconductor Business Types—Role Of Standards In Mining and Farming Businesses*
4. *Profit-Growth Strategy Board—Technology-Business Decision Making Matrix*

- Prepare for strategy meetings
- Understand performance potential of your business
- Compare performance against competitors
- Learn innovative approaches and “rules-of-engagement” of your business

The four reports present findings that are critical at the corporate strategy level:

Report #1:

- Semiconductor technologies used to develop products have evolved and will continue to evolve along two different technology tracks featuring distinctly different, typically opposite, attributes.
- Viewed on a macro scale, the evolution of semiconductor technology and industry has been continuous and predictable.

Report #2:

- Relative economic values of product development activities have changed distinctly differently in the two technology tracks. In this report we analyze the migration of value-added activities in semiconductor product development—from product concept to the finished product.
- There has been an important movement of implementing signal processing functions in the purely digital domain, and this trend will continue. When the signal processing function is implemented in the digital domain only, it shares the benefits of the mainstream data processing technology.

Report #3:

- There are two distinct business types in the semiconductor industry, for which we use the Farming and Mining metaphor. The two business types are different in all key business attributes.
- The primary driver of the two business types is the presence or absence of standards.

Report #4:

- The two technology and two business tracks intersect and form a technology-business matrix in which products made along the two technology tracks are being sold along the two business value chains.
- Matrix field attributes emanate from the nature of the semiconductor industry itself. A successful business strategy has to be in accord with its board position attributes and its explicit “rules-of-engagement.”
- The Profit-Growth Strategy Board framework is a management tool for balancing business profit and growth objectives. Profit-Growth Board position attributes are relatively stable and highly predictable in the longer term.

The four reports together form a proven and invaluable framework for assessing and formulating semiconductor strategy. Teleconference support is included.