DMSMS 2006
A Semiconductor Market Perspective

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The Situation at Hand

> Not a market driver, a market participant

Source: iSuppli AMFT (6/30/06)
An Important Participant

- Military/Aerospace, 20.5%
- Communications (Wired), 12.0%
- Multimedia Systems, 4.4%
- Medical/Dental, 5.4%
- Test/Measure, 5.5%
- Industrial & Manufacturing Control, 10.9%
- Computer Hardware, 1.8%
- Computer Peripherals, 7.7%
- Contract Design/Engineering, 0.9%
- Gaming/Vending Equipment, 0.8%
- Security/Access Control, 2.7%
- Power/Electrical, 5.4%
- Other, 8.0%
- Navigation, 0.9%
- Avionics, 1.4%
- Communications (RF/Wireless), 6.4%
- Office Automation/Imaging, 1.3%
Commercial Plastic Adoption

> Commercial market forces
> Reliability concerns

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<th>Year</th>
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<th>Military Hermetic Product</th>
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Commercial/Industrial Grade Product | Military Hermetic Product
BOM Health Analysis

> 85% of parts predicted healthy
> Immediate obsolescence a reality
Narrow Customer Base Increases Obsolescence Risk

- 48% and 63%
RoHS Trends: Good News, Bad News

> Americas’ transition slower than expected
> Lingering demand for leaded product
  – Non-Cancellable Non-Returnable
  – Higher prices
> Aftermarket manufacturers to offer leaded
> Data integrity challenges continue
  – 30% of RoHS parts not changing part number
  – Traditional EOL/PCN triggers may not be sent
Trends in the Aftermarket

> Broker market significant source of supply
> Sophisticated design and manufacturing capability
> Distributors’ market data and capital making aftermarket more efficient
> Increase in product line exits over next 2-4 years
In Conclusion

Risk can be reduced through collaboration

- AQEC suppliers can improve your reliability decisions
- Better long term forecasting will improve supply at reduced costs
- Distributors can aggregate and invest more aggressively with good forecasts
- Parts management challenges are a business reality, services are available to assist
A fundamental rule in technology says that whatever can be done will be done.

Andrew S. Grove
Former Chairman of the Board of Intel Corporation