



OBJECTIVE ANALYSIS

Semiconductor Market Research

OBJECTIVE ANALYSIS ALERT!

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POWER OUTAGE IN KOREA – SIX SAMSUNG FABs CLOSED

At 2:30 PM Seoul time today a major power outage in Korea disrupted operations in Samsung's Giheung complex, halting production at Lines 6, 7, 9, 14, and the S Line. These lines are used to manufacture memory and system LSI chips.

Most fabs have procedures in place to accommodate such disruptions, and Samsung is most likely now implementing the disaster recovery plan. This plan will involve the disposition of wafers according to their stage of production and the difficulty of re-inserting them into the production line.

A power loss, no matter how brief, may force the company to scrap some of the wafers that were undergoing a high-temperature process at the time of the outage. Other wafers, for example those going through photographic processes, will simply need to be re-worked by backing up and starting at some prior step of the process. Short power losses tend to cause more minor difficulties than do longer interruptions. A power loss of 20 minutes or longer may require a longer period of downtime to allow furnaces to be brought back to a stable temperature. The Giheung power outage lasted four hours.

Samsung has issued a statement that they believe all facilities will return to full operation within a day or two, resulting in losses of less than 50 billion Korean Won (about \$50M US). To put this in perspective: Samsung's 2007 semiconductor revenues were 19.1 Trillion Korean Won, so the 50 Billion figure would account for less than three tenths of one percent of annual revenues. Worldwide memory revenues for 2006 were \$60 Billion, 1,200 times the size of Samsung's maximum anticipated loss.

All in all this event should not have a dramatic impact upon semiconductor prices, but there will be a shock wave that will ripple through the markets over the coming week.

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