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## **VLSI RESEARCH INC**

### **VLSI Research Inc Predicts a Positive 2007**

Santa Clara, CA, January 8, 2007: The semiconductor industry ended 2006 on a high note. Worldwide sales of semiconductor and related equipment soared to \$61B, an increase of 19% from 2005. At the same time, sales of integrated circuits reached \$209B, 8.5% above the 2005 level. Following a bountiful 2006, the semiconductor industry is expected to continue expanding in 2007, but at a lower rate. VLSI Research predicts IC revenues will increase 5.2%, while the equipment market will grow at 4.8%.

Chip makers entered 2007 in profitable territory as measured by the metric, Revenue per Square Inch of Silicon (RPSI). This figure has hovered above the \$30-level for all of 2006. The IC-to-inventory billings ratio was also below the critical level of 1.5. Plus, utilization rates were still high during the fourth quarter of last year, averaging 92% in Wafer Fabrication, 92% in Test, and 94% in Assembly.

Conditions are pointing to another positive year, but there are pressure points to watch for: equipment order growth is slowing, die banks are still growing, and VLSI's Chip Price Performance Index, while still positive, is pointing to a pricing environment that is deteriorating fast.

At the macro level, U.S. economic indicators remain mixed. Manufacturing and housing are weak and the growth in the money supply has been flat all year. On a favorable note, inflation fears are easing, which should keep the Fed from raising interest rates.

We remain cautiously optimistic about the prospects for this year, but we believe that 2007 will serve up another positive year.

The following table summarizes the results for 2006 and VLSI's predictions for 2007:

	<b>2006</b>	<b>2007</b>	<b>YoY Change</b>
<b>WW Electronics Sales (\$B)</b>	1453.5	1538.3	5.8%
<b>WW Chips</b>			
IC Sales (\$B)	209.1	220.1	5.2%
IC Units (B)	138.2	152.9	10.7%
ASP (\$)	1.51	1.44	-4.9%
<b>WW Chip &amp; Display Equipment</b>			
Total Sales (\$B)	61.4	64.3	4.8%
IC Equipment (\$B)	53.5	55.8	4.2%
Wafer Fab (\$B)	29.5	30.9	4.7%
Test and Related (\$B)	12.2	12.6	3.9%
Assembly (\$B)	3.5	3.3	-6.3%
Service and Support (\$B)	8.3	8.9	7.5%
Display Equipment (\$B)	7.8	8.5	8.4%
<b>WW Capacity Utilization</b>			
Chip Production (MSI)	5885.3	6351.8	7.9%
Chip Capacity (MSI)	6365.4	6965.9	9.4%
Front End Utilization (%)	92.5	91.2	
Test Utilization (%)	93.9	91.5	
Assembly Utilization (%)	90.1	90.5	

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