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## Chartered, TSMC, UMC see slight rebound

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SAN JOSE, Calif. -- Amid the downturn, the silicon foundry business is improving.

Singapore's Chartered Semiconductor Manufacturing Pte. Ltd. has revised its first quarter guidance upwards. Business also appears to be improving at Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and United Microelectronics Corp. (UMC).

At UMC (Hsinchu, Taiwan), sales for February were NT\$3.14 billion (\$90 million), down 56.87 percent from a year ago but down only 0.29 percent from January. For the first two months of the year, sales hit NT\$6.3 billion (\$180.6 million), down 59.39 percent from a year ago.

In other words, business appears to have stabilized. An analyst at FBR also sees improved sales and demand at TSMC (Hsinchu, Taiwan).

Joanne Ito, a senior analyst at Semico Research Corp. , said all of the foundries she has spoken with indicate that they are seeing improvements in orders across a variety of different product types. Ito said she believes foundries cut their forecasts to the bone believing that their customers would have a more difficult time than they actually are.

"They aren't willing to say it's the beginning of an upturn," Ito said. "But they say it's not as bad as they thought."

Meanwhile, Chartered's sales forecast is unchanged. It forecasts sales of \$238 million for the first quarter, plus or minus \$6 million.

The company projects a loss of \$127 million for the quarter, plus or minus \$5 million. Originally, it projected a loss of \$147 million, plus or minus \$5 million.

In the previous quarter, Chartered had sales of \$351.7 million and posted a loss of \$114.0 million.

"As the quarter is progressing, our business seems to be stabilizing with wafer starts for second quarter shipments showing increases due to additional orders from customers, compared to our view in January," said George Thomas, senior vice president and CFO of Chartered, in a statement.

"This is expected to result in lower cost per wafer during the first quarter due to higher production volumes over which fixed costs are allocated," he said. "Therefore, we are now expecting our net loss to improve approximately \$20 million, compared to our previous guidance. While we are seeing this improvement in customer orders, the macroeconomic environment continues to be challenging and business visibility remains limited."

Chartered also announced its plans to raise net proceeds of approximately \$300 million by way of a 27-for-10 rights offering to existing shareholders. The rights to purchase new ordinary shares will be priced at S\$0.07 (indicative ADS rights price of \$0.45) which represents an approximate 65.9 percent discount to Chartered's last-traded ordinary share price of S\$0.205 per share on March 9, 2009 and an approximate 71.0 percent discount to Chartered's last ADS closing price of US\$1.55 per ADS on March 6, 2009.

Pursuant to the rights offering, Chartered expects to issue approximately 6,870 million new ordinary shares (directly or in the form of ADSs).

The offering is fully underwritten by Citi, Deutsche Bank and Morgan Stanley, who are also the joint lead managers of the offering.

Chartered's major shareholder, Singapore Technologies Semiconductors Pte Ltd (ST Semiconductors), a wholly-owned subsidiary of Temasek Holdings Pte. Ltd., has undertaken to subscribe for its pro-rata entitlement of approximately 59.4 percent of the offering and committed to the underwriters to act as standby purchaser and purchase up to 90 percent of the offering (which includes its undertaking to Chartered and the underwriters for its pro-rata entitlement).

The rights offering will strengthen the company's capital position, and provide Chartered with additional liquidity to manage its maturing indebtedness, fund planned and future capital expenditures, and for general corporate purposes.

The rights offering will also improve Chartered's debt to equity leverage ratios and further support the company in executing its technology roadmap.

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