Vanguard International Semiconductor Corporation

Customized Specialty IC Foundry of Choice

Reports of Results for 2Q2004

Aug. 9, 2004

Performance Summary for 2Q2004

- Net sales of NT$4,161M were 11.5% higher than those of 1Q04. The growth was the result of more wafer shipments (+11.1% QoQ). Logic foundry contributed 72% of total revenue this quarter versus 69% in 1Q04.

- Gross profit was NT$ 1,201 M, or 29% of net sales, increased from NT$ 928M, or 25% in 1Q04. The improvement in gross margin was contributed by higher total sales volume and more logic foundry business with higher gross margin.

- Operating expenses of NT$256 M increased slightly from NT$249 M of 1Q04. The percentage of operating expenses to net sales decreased to 6% from 7% in 1Q04 due to higher sales.

- Non-operating income decreased to NT$254 M from NT$ 631 M in 1Q04. The difference was mainly due to lesser non-recurring gains from investment income and fixed assets disposal in Q2.

Wafer Output/Shipments & Capacity Utilization

- Shipments in 2Q04 were 162.5 thousand wafers, an 11% increase compared to 146.2 thousand wafers in 1Q04. Wafer output in 2Q04 was 143 thousand wafers, a 10% increase QoQ. Logic foundry accounted for 87% of total wafer output and the remainder was for memory products.

3Q2004 Outlook

- Fab will continue to be fully loaded and revenue is expected to grow along with capacity increase with foundry ASP slightly up.
- Gross margin will have substantial improvement as not profitable DRAM revenue declines to single digit % of total .
- Our last DRAM wafer was out on 7/27/04, a major milestone as end of DRAM era.

Revenue Breakdown by Products

NT$M	2Q 2004	QoQ	YoY
Logic Foundry	3,004	+17%	+105%
Memory	1,157	-0%	-3%
Total	4,161	+11%	+57%

Sales Breakdown by Wafer Quantity

QTY Kpcs	2Q 2004	QoQ	YoY
Logic Foundry	124.5	+15%	+128%
Memory*	38.0	+1%	-35%
Total	162.5	+11%	+44%

*Including sales of inventory