Vanguard International Semiconductor Corporation

Customized Specialty IC Foundry of Choice

Reports of Results for 3Q2004

Nov.1 , 2004

Performance Summary for 3Q2004

- Net sales of NT$4,362M were 5% higher than those of 2Q04. The growth was the result of more wafer shipments (+3% QoQ). Logic foundry contributed 90% of total revenue this quarter versus 72% in 2Q04.

- Gross profit was NT$ 1,641 M, or 38% of net sales, increased from NT$ 1,201M, or 29% in 2Q04. 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$258 M remained almost unchanged from NT$256 M of 2Q04.

- Non-operating income decreased to NT$149 M from NT$ 254 M in 2Q04. The difference was mainly due to lesser reversal of inventory valuation loss of DRAM to NT$24 M from NT$ 173 M. Other non-operating income include NT$ 110 M gain on sales of short-term investments.

Wafer Output/Shipments & Capacity Utilization

- Shipments in 3Q04 were 168 thousand wafers, a 3% increase compared to 163 thousand wafers in 2Q04. Wafer output in 3Q04 was 165 thousand wafers, a 15% increase QoQ. Logic foundry accounted for 95% of total wafer output and the remainder was for memory products.

- Fab utilization rate in 3Q04 was 105% comnpared to 102% in 2Q04.

4Q2004 Outlook

- Based on current order received, we expect fab utilization rate drop to around 90% in 4Q04. Shipment of logic foundry wafer will drop by around 4% QoQ. Along with nil DRAM shipment, total wafer shipment will drop by about 12 % QoQ.

- We expect ASP to stay flat QoQ, but gross margin will improve to around 41% with all revenue from foundry business of higher gross margin.

Revenue Breakdown by Products

NT$M	3Q 2004	QoQ	YoY
Foundry	3,947	+31%	+208%
DRAM	415	-64%	-71%
Total	4,362	+5%	+61%

Sales Breakdown by Wafer Quantity

QTY Kpcs	3Q 2004	QoQ	YoY
Foundry	154	+24%	+186%
DRAM*	14	-63%	-77%
Total	168	+3%	+46%

*Including sales of inventory