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VIS Reports 2008 Third Quarter Results

Third Quarter 2008 Overview:

- Revenue decreased 5% sequentially to NT\$4,342 million
- Gross profit margin of 16.4%, operating profit margin of 6.6%
- Net income decreased to NT\$ 326 million
- Diluted EPS was NT\$0.19

Hsinchu, Taiwan, October 31, 2008 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 4,342 million, net income of NT\$326 million, and diluted EPS of NT\$0.19 for the third quarter end September 30, 2008.

On a sequential basis, third quarter results represent a 5% decrease in revenue while net income and diluted EPS decreased 31% and 30% respectively. Year-over-year, third quarter revenue increased 3% while net income and diluted EPS both decreased 73%.

Third quarter business was affected by rising uncertainty in global market and customer inventory correction, but our revenue still in-line with the guidance given on August 4. Memory products accounted for 27% of total revenue. Operating profit margin of 6.6% and gross profit margin of 16.4% were close to the low end of guidance. And Net margin was 8%.

VIS spokesperson Mr. Robert Hsieh said, “Due to the rising uncertainty in the global economy, customer will keep adopting a cautious attitude in fourth quarter. Wafer shipment to decrease by mid-to-high twenties percentage QoQ, Fab utilization rate close to mid fifties percentage, Gross profit margin to be mid-to-high single digit percentage; and Blended ASP to decrease by a low single digit percentage QoQ.”

Safe Harbor Statements

Except for statements in respect of historical matters, the statements in this release contain “forward-looking statements” involve known and unknown risks, uncertainties and other factors that may cause the actual performance to be materially different from those contained in such forward-looking statements.

VIS undertakes no obligation to update these forward-looking statements for events or circumstances that occur after such date or to reflect the occurrence of unanticipated events.



I. COGS and Operating Expense

(In NT\$ million)	3Q08	2Q08	3Q07
Revenue	4,342	4,576	4,210
COGS	(3,630)	(3,708)	(2,437)
Gross Profit	712	868	1,773
Gross Profit Margin (%)	16.4%	19.0%	42.1%
Total Operating Exp.	(426)	(416)	(349)
G&A	(173)	(191)	(156)
Sales & Marketing	(32)	(27)	(32)
R&D	(221)	(198)	(161)
Operating Income	286	451	1,424
Operating Profit Margin (%)	6.6%	9.9%	33.8%

In-line with our guidance, the sales revenue in 3Q08 was NT\$4,342 million.

Consolidated gross profit was NT\$712 million in 3Q08, down from a gross profit of NT\$868 million in 2Q08. The gross margin declined from 19% to 16.4% mainly due to lower capacity utilization in 3Q08.

G&A expenses were NT\$173 million, compared to NT\$191 million in 2Q08.

R&D expenses increased to NT\$221 million sequentially, mainly due to more expense in new technology development project.

Total operating income for 3Q08 were NT\$286 million represented 6.6% of net sales.

II. Non-Operating Items:

(In NT\$ million)	3Q08	2Q08	3Q07
Net Non-operating Income	53	63	113
Investment Income (Loss)	0	3	46
Net Other Non-operating Income	53	60	68

Net non-operating income was NT\$53 million in 3Q08, down from NT\$63 million in the previous quarter primarily due to less interest income in 3Q08.



III. Financial Condition Review

(In NT\$ million)	3Q08	2Q08	3Q07
Cash & Financial Instruments	3,875	6,904	12,614
Account Receivable	2,844	2,688	2,673
Inventory	2,119	2,172	1,559
Total Current Assets	8,986	12,047	17,313
Account Payable and Others	1,566	2,045	1,193
Cash Dividends and Bonus Payable	0	3,015	0
Accrued Liabilities	1,795	1,923	1,322
Total Current Liabilities	3,361	6,983	2,516
Current Ratio	267%	173%	688%
Net Working Capital	5,625	5,064	14,797
A/R Turnover Days	56	54	61
Inventory Turnover Days	47	48	55

At the end of 3Q08, VIS still has NT\$3,875 million cash & financial instruments on hand, but total current assets decreased by NT\$3,061 million, as we paid NT\$3,015 million in cash dividends and employee bonus during the quarter. As a result, VIS ended the quarter with NT\$8,986 million in total current assets, compared to NT\$12,047 million at the end of the previous quarter. Total current liabilities decreased to NT\$3,361 million in 3Q08 mainly along with the NT\$3,015 million reduction in dividend and bonus payable.

Net working capital stood at NT\$5,625 million at the end of the quarter, with a current ratio of 267%. A/R turnover days increased 2 days to 56 days, but inventory turnover days decreased 1 day to 47 days in 3Q08.

IV. Cash Flow

(In NT\$ million)	3Q08	2Q08	3Q07
Cash Flow from Operation	946	1,530	1,781
Cash Flow from Investment	(557)	(801)	(552)
Cash Flow from Financing	(3,222)	(176)	(2,376)
Net Cash Flow	(2,834)	553	(1,147)
Effect of Exchange Rate Changes	11	(1)	(1)
Cash - End of Period	3,571	6,394	10,923

Cash inflow from operation was NT\$946 million in 3Q08. The investment cash outflow was NT\$557 million, mainly reflecting the acquisition of properties of NT\$772 million but partially offset by proceeds from disposal of financial assets. The financing cash outflow was NT\$3,222 million, as we paid NT\$3,015 million in cash dividends, employee bonus, and spent NT\$169 million for share buyback in 3Q08.

As a result, VIS ended the quarter with a cash balance of NT\$3,571 million.



V. Revenue Analysis

Sales Breakdown by Technology

By Technology	3Q08	2Q08	3Q07
0.5 μ m	27%	37%	42%
0.35 μ m	23%	21%	31%
0.25 μ m	12%	9%	13%
0.18 μ m	11%	10%	14%
Memory	27%	23%	0%

As a result of continued stable demand in memory products, revenue from Memory segment reached 27% of total sales, up from 23% in the previous quarter. Revenue from 0.5 μ m decreased from 37% to 27% due to inventory control by large panel driver IC customers in 3Q08

Logic Sales Breakdown by Application

By Application	3Q08	2Q08	3Q07
Computer	49%	51%	53%
Communication	19%	16%	23%
Consumer	22%	27%	18%
Others	10%	6%	6%

Demand from communication applications increased to 19% of total revenue in 3Q08, mainly due to good demand for handset panel driver IC.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	3Q08	2Q08	1Q08	4Q07	3Q07
Wafer Shipments (Kpcs)	276	301	311	254	233

276 thousands 8-inch wafers were shipped in 3Q08, an 8.3% decrease from 301 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter was 78%.

Utilization Rate

	3Q08	2Q08	1Q08	4Q07	3Q07
Utilization Rate	78%	82%	87%	105%	103%