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VIS Reports 2009 First Quarter Results

First Quarter 2009 Overview:

- Revenue decreased 37% QoQ to NT\$1,689 million
- Gross profit margin of -33%, operating profit margin of -50%
- Net loss of NT\$832 million
- Diluted loss per share was NT\$ 0.50

Hsinchu, Taiwan, May 4th, 2009 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 1,689 million, net loss of NT\$832 million, and net loss per share of NT\$0.50 for the first quarter end March 31st, 2009.

On a sequential basis, first quarter revenue decreased 37% to NT\$1,689 million, from NT\$2,677 million in 4Q08. Net loss in 1Q09 was NT\$832 million compared to a net loss of NT\$526 million in 4Q08. As first quarter is traditional low season and customer is cautious in order, business was affected by slowed down customer demand. Wafer shipments decreased 35% QoQ, Fab utilization declined from 46% to 33% sequentially, Gross profit margin of -33%, and Blended ASP decreased 7% compared with previous quarter. The results were in-line with our revised guidance given on March 12th, 2009.

VIS spokesperson Mr. Robert Hsieh said, “After traditional low season and sales recovery by our customer in second quarter, Wafer shipment to increase around 110% QoQ, Fab utilization rate to be low sixties percentage, Gross profit margin to be mid-to-high single digit percentage, and Blended ASP to decrease by a low-to-mid 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)	1Q09	4Q08	1Q08
Revenue	1,689	2,677	4,526
COGS	(2,238)	(2,933)	(3,245)
Gross (Loss) Profit	(549)	(256)	1,281
Gross Profit Margin (%)	-32.5%	-9.6%	28.3%
Total Operating Exp.	(296)	(317)	(420)
G&A	(131)	(132)	(197)
Sales & Marketing	(14)	1	(37)
R&D	(152)	(186)	(185)
Operating (Loss) Income	(845)	(573)	861
Operating Profit Margin (%)	-50.0%	-21.4%	19.0%

The sales revenue in 1Q09 was NT\$1,689 million. Consolidated gross loss was NT\$549 million in 1Q09, down from a gross loss of NT\$256 million in 4Q08. The gross profit margin declined from -9.6% to -32.5% mainly due to the drastic decrease of fab utilization in 1Q09.

Operating expenses in 1Q09 was NT\$296 million declined from NT\$317 million in 4Q08 mainly resulted from the tight cost control.

Loss from operations for 1Q09 was NT\$845 million represented -50% of net sales.

II. Non-Operating Items:

(In NT\$ million)	1Q09	4Q08	1Q08
Net Non-operating Income (Exp.)	13	(59)	55
Investment Loss	(25)	(38)	(9)
Net Other Non-operating Income (Exp)	38	(21)	64

Net non-operating income was NT\$13 million in 1Q09, increase from Net non-operating expense of NT\$59 million in the previous quarter.



III. Financial Condition Review

(In NT\$ million)	1Q09	4Q08	1Q08
Cash & Financial Instruments	3,920	4,456	6,541
Account Receivable	1,337	1,340	2,472
Inventory	1,399	1,811	2,235
Total Current Assets	7,283	7,897	11,589
Account Payable and Others	551	833	1,996
Accrued Liabilities	1,296	1,568	1,517
Total Current Liabilities	1,847	2,400	3,513
Current Ratio	394%	329%	330%
Net Working Capital	5,436	5,496	8,076
A/R Turnover Days	72	45	52
Inventory Turnover Days	65	45	53

At the end of 1Q09, VIS has NT\$3,920 million cash & financial instruments, and inventory down from NT\$1,811 million to NT\$1,399 million mainly result from lower fab utilization rate in 1Q09. So total current assets decreased by NT\$614 million in 1Q09. As a result, VIS ended the quarter with NT\$7,283 million in total current assets, compared to NT\$7,897 million at the end of the previous quarter. Total current liabilities decreased to NT\$1,847 million in 1Q09 mainly along with the NT\$282 million reduction in account payable and others, and the NT\$272 million reduction in accrued liabilities. The decrease in account receivable and account payable, and accrued liabilities reflected the slowing down business activities in low season. Net working capital stood at NT\$5,436 million at the end of the quarter, with a current ratio of 394%. A/R turnover days increased 27 days to 72 days, and inventory turnover days increased 20 days to 65 days.

IV. Cash Flow

(In NT\$ million)	1Q09	4Q08	1Q08
Cash - Begin of Period	4,273	3,571	6,737
Cash Flow from Operation	(180)	1,263	1,564
Cash Flow from Investment	(362)	(245)	(2,486)
Cash Flow from Financing	(0)	(320)	38
Net Cash Flow	(541)	697	(884)
Effect of Exchange Rate Changes	6	5	(12)
Cash - End of Period	3,738	4,273	5,841

Cash flow from operation dropped from positive NT\$1,263 million to minus NT\$180 million, mainly resulted from a significant decrease in semiconductor demand in 1Q09. The investment cash outflow was NT\$362 million, mainly reflecting the acquisition of properties of NT\$286 million and the increase in pledge time deposit. The financing cash outflow was less than NT\$1 million in 1Q09.

As a result, VIS ended the quarter with a cash balance of NT\$3,738 million.



V. Revenue Analysis

Sales Breakdown by Technology

By Technology	1Q09	4Q08	1Q08
0.5 μ m	24%	25%	37%
0.35 μ m	31%	24%	32%
0.25 μ m	7%	11%	10%
0.18 μ m	9%	8%	7%
Memory	29%	32%	14%

As less outsourcing from memory customer, revenue from Memory segment decreased to 29% of total sales. Revenue from 0.35um increased from 24% to 35% mainly due to relatively stable demand by large panel driver IC customers in 1Q09. 0.25um decreased from 11% to 7% due to less demand from small panel customer in 1Q09.

Logic Sales Breakdown by Application

By Application	1Q09	4Q08	1Q08
Computer	45%	37%	49%
Communication	20%	23%	15%
Consumer	26%	27%	30%
Others	9%	13%	6%

Demand from computer applications increased to 45% of total revenue in 1Q09, mainly due to relatively stable demand by large panel driver IC Customer.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	1Q09	4Q08	3Q08	2Q08	1Q08
Wafer Shipments (Kpcs)	106	162	276	301	311

106 thousands 8-inch wafers were shipped in 1Q09, a 35% decrease from 162 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter was 33%.

Utilization Rate

	1Q09	4Q08	3Q08	2Q08	1Q08
Utilization Rate	33%	46%	78%	82%	87%