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VIS Reports 2010 First Quarter Results

First Quarter 2010 Overview:

- Revenue increased 14% QoQ to NT\$3,574 million
- Gross profit margin of 16%, operating profit margin of 6%
- Net income of NT\$220 million
- Diluted earning per share was NT\$ 0.13

Hsinchu, Taiwan, April 30th, 2010 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 3,574 million, net income of NT\$220 million, and net earning per share of NT\$0.13 for the first quarter ended March 31, 2010.

On a sequential basis, first quarter revenue increased 14% to NT\$3,574 million, from NT\$3,123 million in previous quarter. Net income in 1Q10 was NT\$220 million compared to NT\$87 million in 4Q09. Driven by PRC government's stimulus package, Chinese New year restocking, and aggressive promotions in US and EU, most of our customers, especially in panel driver ICs segment, have fair demand in 1Q10, Wafer shipments increased 24% QoQ, Fab utilization increased from 56% to 76% sequentially, Gross profit margin of 16%, and Blended ASP decreased 6% compared with previous quarter. The results were in-line with our guidance given on January 29th, 2010.

VIS spokesperson Mr. Robert Hsieh said, "Thanks to the continuing good customer demand in 2Q10, Wafer shipment to increase by low teens percentage QoQ, Fab utilization rate to be around 80%, Gross profit margin to be around 20%, and Blended ASP to increase 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) | 1Q10 | 4Q09 | 1Q09 |
|-----------------------------|---------|---------|---------|
| Revenue | 3,574 | 3,123 | 1,689 |
| COGS | (3,007) | (2,772) | (2,238) |
| Gross Profit (Loss) | 567 | 352 | (549) |
| Gross Profit Margin (%) | 15.9% | 11.3% | -32.5% |
| Total Operating Exp. | (340) | (310) | (296) |
| G&A | (153) | (144) | (131) |
| Sales & Marketing | (33) | (8) | (14) |
| R&D | (155) | (158) | (152) |
| Operating Income (Loss) | 226 | 41 | (845) |
| Operating Profit Margin (%) | 6.3% | 1.3% | -50.0% |

As fair customer demand in first quarter, sales revenue was NT\$3,574 million, up 14% sequentially and 112% YoY. Gross profit was NT\$567 million in 1Q10, up from NT\$352 million in 4Q09. And gross profit margin increased from 11.3% to 15.9%.

Operating expenses for 1Q10 was NT\$340 million, increased from NT\$310 million in 4Q09, mainly resulted from more sales & marketing expense in first quarter.

Income from operations for 1Q10 was NT\$226 million represented 6.3% of net sales.

II. Non-Operating Items:

| (In NT\$ million) | 1Q10 | 4Q09 | 1Q09 |
|--------------------------------------|------|------|------|
| Net Non-operating Income (Exp.) | 17 | 49 | 13 |
| Investment (Loss) Income | (10) | 73 | (25) |
| Net Other Non-operating Income (Exp) | 27 | (24) | 38 |

Net non-operating income was NT\$17 million, down from NT\$49 million in 4Q09, primarily due to less investment income in 1Q10.



III. Financial Condition Review

| (In NT\$ million) | 1Q10 | 4Q09 | 1Q09 |
|----------------------------------|---------------|---------------|--------------|
| Cash & Financial Instruments | 7,317 | 7,188 | 3,920 |
| Accounts Receivable | 2,232 | 1,784 | 1,328 |
| Inventory | 1,208 | 1,134 | 1,399 |
| Total Current Assets | 11,253 | 10,432 | 7,283 |
| Accounts Payable and Others | 1,133 | 794 | 548 |
| Accrued Liabilities | 920 | 1,043 | 1,298 |
| Total Current Liabilities | 2,053 | 1,836 | 1,847 |
| Current Ratio | 548% | 568% | 394% |
| Net Working Capital | 9,200 | 8,596 | 5,436 |
| A/R Turnover Days | 51 | 45 | 72 |
| Inventory Turnover Days | 36 | 47 | 65 |

At the end of 1Q10, VIS has NT\$7,317 million cash & financial instruments, up NT129 million sequentially. Accounts Receivable up from NT\$1,784 million to NT\$2,232 million in 1Q10. VIS ended the quarter with NT\$11,253 million in total current assets, compared to NT\$10,432 million at the end of the previous quarter, up NT\$821 million sequentially. Total current liabilities increased NT\$217 million to NT\$2,053 million in the end of 1Q10, resulting from the increase of NT\$339 million in accounts payable while partially offset by the decrease of NT\$123 million in accrued liabilities. The increase in accounts receivable and accounts payable mainly reflected the decent growth business activities in first quarter.

Net working capital increased to NT\$9,200 million at the end of the quarter, with a current ratio of 548%. A/R turnover days increased 6 days to 51 days, and inventory turnover days decreased 11 days to 36 days.

IV. Cash Flow

| (In NT\$ million) | 1Q10 | 4Q09 | 1Q09 |
|---------------------------------|------------|--------------|--------------|
| Cash - Begin of Period | 6,901 | 5,023 | 4,273 |
| Cash Flow from Operation | 441 | 1,763 | (180) |
| Cash Flow from Investment | (286) | 113 | (362) |
| Cash Flow from Financing | 8 | 3 | (0) |
| Net Cash Flow | 163 | 1,879 | (541) |
| Effect of Exchange Rate Changes | (1) | (1) | 6 |
| Cash - End of Period | 7,063 | 6,901 | 3,738 |

Cash flow from operation decreased from 4Q09 NT\$1,763 million to 1Q10 NT\$441 million, mainly due to decent business growth in 1Q10 resulted in more account receivable in 1Q10. The investment cash outflow was NT\$286 million, mainly reflecting acquisitions of properties. The financing cash inflow was NT\$8 million, mainly reflecting proceeds from exercise of employee stock options.

As a result, the net cash inflow was NT\$163 million in 1Q10. And VIS ended the quarter with a cash balance of NT\$7,063 million.



V. Revenue Analysis

Revenue Breakdown by Technology

| By Technology | 1Q10 | 4Q09 | 1Q09 |
|---------------|------|------|------|
| 0.5 μ m | 24% | 25% | 24% |
| 0.35 μ m | 41% | 36% | 31% |
| 0.25 μ m | 8% | 6% | 7% |
| 0.18 μ m | 16% | 13% | 9% |
| Memory | 11% | 20% | 29% |

Driven by logic customer inventory restocking demand, revenue in 0.18 μ m, 0.25 μ m, and 0.35 μ m increased to 16%, 8%, and 41% of total sales in 1Q10 respectively.

Logic Revenue Breakdown by Application

| By Application | 1Q10 | 4Q09 | 1Q09 |
|----------------|------|------|------|
| Computer | 51% | 50% | 43% |
| Communication | 17% | 16% | 19% |
| Consumer | 23% | 22% | 29% |
| Others | 9% | 12% | 9% |

Demand from Computer, Communication, and Consumer applications increased to 51%, 17%, and 23% of total logic product revenue in 1Q10 respectively, mainly related to fair customer demand in IC for PC/NB, TV, and handset device.

Logic Revenue Breakdown by Platform

| By Platform | 1Q10 | 4Q09 |
|---------------------|------|------|
| Driver IC (Large) | 50% | 43% |
| Driver IC (Small) | 16% | 14% |
| Power Management IC | 16% | 18% |
| Others | 18% | 25% |

As relatively strong demand in panel driver IC for TV, PC/NB monitor and handset device, large and small panel driver IC segment increased to 50% and 16% of total logic product revenue respectively.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

| | 1Q10 | 4Q09 | 3Q09 | 2Q09 | 1Q09 |
|------------------------|------|------|------|------|------|
| Wafer Shipments (Kpcs) | 264 | 214 | 284 | 227 | 106 |

264 thousands 8-inch wafers were shipped in 1Q10, up 24% from 214 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter also increased to 76% sequentially.

Utilization Rate

| | 1Q10 | 4Q09 | 3Q09 | 2Q09 | 1Q09 |
|------------------|------|------|------|------|------|
| Utilization Rate | 76% | 56% | 74% | 60% | 33% |