



Contact

Robert Hsieh / Janey Liu
Public Relations & Investor Relations Dept.
ir@vis.com.tw
886-3-577-0355 ext. 1421

VIS Reports 2010 Third Quarter Results

Third Quarter 2010 Overview:

- Revenue increased 14% QoQ to NT\$4,823 million
- Gross profit margin of 28%, operating profit margin of 20%
- Net income of NT\$852 million
- Diluted earning per share was NT\$ 0.50

Hsinchu, Taiwan, October 29th, 2010 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 4,823 million, net income of NT\$852 million, and net earning per share of NT\$0.50 for the third quarter ended September 30, 2010.

On a sequential basis, third quarter revenue increased 14% to NT\$4,823 million, from NT\$4,234 million in previous quarter. Net income in 3Q10 was NT\$852 million compared to NT\$567 million in 2Q10. Driven by continuing good customer demand, Wafer shipments increased 8% QoQ, Fab utilization further increased from 97% to 102% sequentially, Gross profit margin of 28%, and Blended ASP increased 3% compared with previous quarter. The results were in-line or a bit higher than our guidance given on Aug 16th, 2010.

VIS spokesperson Mr. Robert Hsieh said, “Since customer demand is soft, also downstream is working on digesting inventory, Wafer shipment to decrease by around 30% QoQ, Fab utilization rate to be around mid sixties percentage, Gross profit margin to be around low teens percentage, and Blended ASP to be about flat or slightly increase 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)	3Q10	2Q10	3Q09
Revenue	4,823	4,234	4,343
COGS	(3,462)	(3,311)	(3,380)
Gross Profit	1,361	923	963
Gross Profit Margin (%)	28.2%	21.8%	22.2%
Total Operating Exp.	(380)	(366)	(335)
G&A	(176)	(166)	(143)
Sales & Marketing	(27)	(38)	(25)
R&D	(177)	(162)	(168)
Operating Income	982	557	627
Operating Profit Margin (%)	20.4%	13.1%	14.4%

As continuing good customer wafer demand in third quarter, sales revenue was NT\$4,823 million, up 14% sequentially and 11% YoY. Gross profit was NT\$1,361 million in 3Q10, up from NT\$923 million in 2Q10. And gross profit margin increased from 21.8% to 28.2%.

Operating expenses for 3Q10 was NT\$380 million, increased from NT\$366 million in 2Q10, mainly resulted from the provision of employee bonus and higher engineering wafer consumed for R&D project.

Income from operations for 3Q10 was NT\$982 million represented 20.4% of net sales.

II. Non-Operating Items:

(In NT\$ million)	3Q10	2Q10	3Q09
Net Non-operating Income	2	32	57
Investment Gain (Loss)	54	(0)	26
Net Other Non-operating Income	(51)	33	31

Net non-operating income was NT\$2 million in 3Q10, down from NT\$32 million in 2Q10, primarily due to take impairment loss on idle asset in 3Q10.



III. Financial Condition Review

(In NT\$ million)	3Q10	2Q10	3Q09
Cash & Financial Instruments	7,600	7,744	5,470
Accounts Receivable	2,949	2,847	2,658
Inventory	1,519	1,353	1,422
Total Current Assets	12,508	12,459	9,941
Accounts Payable and Others	1,402	1,346	1,046
Cash Dividends and Bonus Payable	0	685	0
Accrued Liabilities	1,464	1,259	1,337
Total Current Liabilities	2,866	3,289	2,383
Current Ratio	436%	379%	417%
Net Working Capital	9,642	9,169	7,558
A/R Turnover Days	51	54	58
Inventory Turnover Days	37	36	52

At the end of 3Q10, VIS has NT\$7,600 million cash & financial instruments, down NT144 million sequentially. Accounts Receivable up from NT\$2,847 million to NT\$2,949 million in 3Q10. VIS ended the quarter with NT\$12,508 million in total current assets, compared to NT\$12,459 million at the end of the previous quarter, up NT\$49 million sequentially. Total current liabilities decreased NT\$423 million to NT\$2,866 million in the end of 3Q10, primarily reflecting the decrease of NT\$685 million in cash dividends and bonus payable.

Net working capital slightly increased to NT\$9,642 million at the end of the quarter, with a current ratio of 436%. A/R turnover days decreased 3 days to 51 days, and inventory turnover days increased 1 day to 37 days.

IV. Cash Flow

(In NT\$ million)	3Q10	2Q10	3Q09
Cash - Begin of Period	7,502	7,063	4,277
Cash Flow from Operation	1,668	1,007	1,320
Cash Flow from Investment	(765)	(521)	105
Cash Flow from Financing	(969)	(50)	(675)
Net Cash Flow	(66)	436	750
Effect of Exchange Rate Changes	(5)	3	(3)
Cash - End of Period	7,430	7,502	5,023

Cash flow from operation increased from NT\$1,007 million to NT\$1,668 million, mainly due to continuing business growth in 3Q10. The investment cash outflow was NT\$765 million, mainly reflecting the increase from acquisitions of properties. The financing cash outflow was NT\$969 million, mainly reflecting the payment of cash dividend and the repurchase of treasury stock.

As a result, the net cash outflow was NT\$66 million in 3Q10. And VIS ended the quarter with a cash balance of NT\$7,430 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	3Q10	2Q10	3Q09
0.5 μ m	32%	29%	30%
0.35 μ m	34%	33%	38%
0.25 μ m	7%	7%	10%
0.18 μ m	27%	24%	11%
Memory	0%	7%	11%

Driven by good customer demand in CIS, small panel driver IC and gate driver IC, revenue in 0.18 μ m and 0.5 μ m segments increased to 27% and 32% of total sales revenue in 3Q10 respectively.

Logic Revenue Breakdown by Application

By Application	3Q10	2Q10	3Q09
Computer	42%	41%	46%
Communication	22%	21%	15%
Consumer	24%	28%	29%
Others	12%	10%	10%

As fair customer demand in IC for PC/NB, handset device, and Others, Computer, Communication and Others applications increased to 42%, 22%, and 12% of total logic product revenue in 3Q10 respectively.

Logic Revenue Breakdown by Platform

By Platform	3Q10	2Q10
Driver IC (Large)	43%	42%
Driver IC (Small)	22%	23%
Power Management IC	18%	20%
Others	17%	15%

As relatively strong demand in panel driver IC for PC/NB and CIS for mobile phone, Large panel driver IC and Others segments increased to 43% and 17% of total logic product revenue respectively.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	3Q10	2Q10	1Q10	4Q09	3Q09
Wafer Shipments (Kpcs)	331	307	264	214	284

331 thousands 8-inch wafers were shipped in 3Q10, up 8% from 307 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter also increased to 102% sequentially.

Utilization Rate

	3Q10	2Q10	1Q10	4Q09	3Q09
Utilization Rate	102%	97%	88%	61%	82%