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VIS Reports 2010 Fourth Quarter Results

Fourth Quarter 2010 Overview:

- Revenue decreased 29% QoQ to NT\$3,403 million
- Gross profit margin of 12%, operating profit margin of 1%
- Net income of NT\$313 million
- Diluted earning per share was NT\$ 0.19

Hsinchu, Taiwan, January 31st, 2011 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 3,403 million, net income of NT\$313 million, and net earning per share of NT\$0.19 for the fourth quarter ended December 31, 2010.

On a sequential basis, fourth quarter revenue decreased 29% to NT\$3,403 million, from NT\$4,823 million in previous quarter. Net income in 4Q10 was NT\$313 million compared to NT\$852 million in 3Q10. Since customer demand was soft, also downstream was working on digesting inventory, Wafer shipment decreased by 27% QoQ, Fab utilization also decreased from 102% to 73% sequentially, Gross profit margin of 12%, and Blended ASP decreased 1% compared with previous quarter. Except Blended ASP, the results were in-line or a bit higher than our guidance given on Oct. 29th, 2010.

VIS spokesperson Mr. Robert Hsieh said, “After downstream digested inventory in the previous quarter, customer’s wafer foundry demand is picking up, Wafer shipment to increase by around thirty percentage QoQ, Fab utilization rate to be around mid eighties percentage, Gross profit margin to be around twenty percentage, and Blended ASP to be about flat 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)	4Q10	3Q10	4Q09
Revenue	3,403	4,823	3,123
COGS	(3,010)	(3,462)	(2,772)
Gross Profit	393	1,361	352
Gross Profit Margin (%)	11.5%	28.2%	11.3%
Total Operating Exp.	(342)	(380)	(310)
G&A	(154)	(176)	(144)
Sales & Marketing	(18)	(27)	(8)
R&D	(170)	(177)	(158)
Operating Income	51	982	41
Operating Profit Margin (%)	1.5%	20.4%	1.3%

As customer wafer demand was soft in fourth quarter, sales revenue was NT\$3,403 million, down 29% sequentially. But rose 9% compared with NT\$ 3,123 million for the same period last year. Gross profit was NT\$393 million in 4Q10, down from NT\$1,361 million in 3Q10. And gross profit margin decreased from 28.2% to 11.5%.

Operating expenses for 4Q10 was NT\$342 million, decreased from NT\$380 million in 3Q10, mainly resulted from lower employee profit sharing.

Income from operations for 4Q10 was NT\$51 million represented 1.5% of net sales.

II. Non-Operating Items:

(In NT\$ million)	4Q10	3Q10	4Q09
Net Non-operating Income	176	2	49
Investment (Loss) Gain	(6)	54	73
Net Other Non-operating Income (Expenses)	182	(51)	(24)

Net non-operating income was NT\$176 million in 4Q10, up from NT\$2 million in 3Q10, primarily due to gain from disposal of patent and financial instruments valuation gain recognition in 4Q10.



III. Financial Condition Review

(In NT\$ million)	4Q10	3Q10	4Q09
Cash & Financial Instruments	8,419	7,600	7,188
Accounts Receivable	1,907	2,949	1,784
Inventory	1,615	1,519	1,134
Total Current Assets	12,457	12,508	10,432
Accounts Payable and Others	1,337	1,402	794
Accrued Liabilities	1,480	1,464	1,043
Total Current Liabilities	2,817	2,866	1,836
Current Ratio	442%	436%	568%
Net Working Capital	9,640	9,642	8,596
A/R Turnover Days	42	51	45
Inventory Turnover Days	39	37	47

At the end of 4Q10, VIS has NT\$8,419 million cash & financial instruments, up NT\$819 million sequentially. Accounts receivable down from NT\$2,949 million to NT\$1,907 million, mainly reflected business slowed down in fourth quarter. VIS ended the quarter with NT\$12,457 million in total current assets, compared to NT\$12,508 million at the end of previous quarter, down NT\$50 million sequentially.

Net working capital minor decreased NT\$2 million to NT\$9,640 million at the end of the quarter, with a current ratio of 442%. A/R turnover days decreased 9 days to 42 days, and inventory turnover days increased 2 day to 39 days.

IV. Cash Flow

(In NT\$ million)	4Q10	3Q10	4Q09
Cash - Begin of Period	7,430	7,502	5,023
Cash Flow from Operation	1,647	1,668	1,763
Cash Flow from Investment	(648)	(765)	113
Cash Flow from Financing	(100)	(969)	3
Net Cash Flow	899	(66)	1,879
Effect of Exchange Rate Changes	(7)	(5)	(1)
Cash - End of Period	8,322	7,430	6,901

Cash inflow from operation decreased from NT\$1,668 million to NT\$1,647 million, mainly due to less net income in fourth quarter. The investment cash outflow was NT\$648 million, mainly reflecting the acquisitions of properties. The financing cash outflow was NT\$100 million, mainly reflecting the repurchase of treasury stock.

As a result, the net cash inflow was NT\$899 million in 4Q10. And VIS ended the quarter with a cash balance of NT\$8,322 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	4Q10	3Q10	4Q09
0.5 μ m	29%	32%	25%
0.35 μ m	34%	34%	36%
0.25 μ m	7%	7%	6%
<0.18 μ m	30%	27%	13%
Memory	0%	0%	20%

Driven by relatively good customer demand in CIS and source driver IC, revenue in 0.18 μ m and advanced segment increased to 30% of total sales revenue in 4Q10.

Logic Revenue Breakdown by Application

By Application	4Q10	3Q10	4Q09
Computer	40%	42%	50%
Communication	22%	22%	16%
Consumer	25%	24%	22%
Others	13%	12%	12%

As soft customer demand in IC for PC and NB, Computer application decreased to 40% of total revenue in 4Q10.

Logic Revenue Breakdown by Platform

By Platform	4Q10	3Q10
Driver IC (Large)	44%	43%
Driver IC (Small)	20%	22%
Power Management IC	17%	18%
Others	19%	17%

As relatively strong demand in driver IC for TV panel and CIS for mobile phone, Large panel driver IC and Others segments increased to 44% and 19% of total logic product revenue respectively.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	4Q10	3Q10	2Q10	1Q10	4Q09
Wafer Shipments (Kpcs)	243	331	307	264	214

243 thousands 8-inch wafers were shipped in 4Q10, down 27% from 331 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter also decreased to 73% sequentially.

Utilization Rate

	4Q10	3Q10	2Q10	1Q10	4Q09
Utilization Rate	73%	102%	97%	88%	61%