



VANGUARD

**International Semiconductor
Corporation**

2004 Third Quarter Results

October 29, 2004

Agenda

- **Welcome**
- **3Q 2004 Financial Results - Robert Hsieh**
- **Remarks - Paul Chien**
- **Q & A**



Disclaimer

This Investor Conference Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.



3Q'04 Result Highlights

Amount: NT\$Million	3Q'04	2Q'04	3Q'03
	Amount	Amount	Amount
Net Sales	4,362	4,161	2,710
Net Income	1,171	928	441
EPS(NT\$)*	0.80	0.63	0.31
Cash and Equivalent + S-T Invest.	6,600	7,874	5,378
Interest-bearing Debt	3,059	4,194	7,806
Shareholders' Equity	17,903	16,736	14,119
Total Wafers Shipped (Kpcs)	168	163	115
Logic Wafers Shipped (Kpcs)	154	125	54
Utilization (%) - wafer out / Capacity	105%	102%	77%

* After retroactive adjustments for capital reduction



Income Statement - YoY Comparison

Amount: NT\$Million	3Q'04		3Q'03		YoY
	Amount	%	Amount	%	%
Net Sales	4,362	100%	2,710	100%	61%
COGS	(2,721)	-62%	(2,788)	-103%	2%
Gross Profit (Loss)	1,641	38%	(77)	-3%	-
Operating Expense	(258)	-6%	(266)	-10%	-3%
Operating Income (Loss)	1,383	32%	(343)	-13%	-
Investment Income (Loss)	88	2%	352	13%	-75%
Inventory Valuation (Loss)	24	1%	492	18%	-95%
Net Other Non-operating Income (Exp.)	37	1%	(60)	-2%	-
Income before Tax	1,532	35%	441	16%	247%
Net Income	1,171	27%	441	16%	165%
EPS (NT\$)*	0.80		0.31		-

*After retroactive adjustment for capital reduction



Income Statement - QoQ Comparison

Amount: NT\$Million

	3Q'04		2Q'04		QoQ
	Amount	%	Amount	%	%
Net Sales	4,362	100%	4,161	100%	5%
COGS	(2,721)	-62%	(2,960)	-71%	-8%
Gross Profit (Loss)	1,641	38%	1,201	29%	37%
Operating Expense	(258)	-6%	(256)	-6%	1%
Operating Income (Loss)	1,383	32%	946	23%	46%
Investment Income (Loss)	88	2%	6	0%	-
Inventory Valuation (Loss)	24	1%	173	4%	-86%
Net Other Non-operating Income (Exp.)	37	1%	75	2%	-50%
Income before Tax	1,532	35%	1,200	29%	28%
Net Income	1,171	27%	928	22%	26%
EPS (NT\$)*	0.80		0.63		-

*After retroactive adjustment for capital reduction



Forecast – Revised (10/29) vs. Planned (4/20)

Amount: NT\$Million	2004 Revised	2004 Planned	Variance
	Amount	Amount	%
Net Sales	16,111	15,578	3.4%
Income Before Tax	5,393	4,079	32.2%
Net Income	4,205	3,169	32.7%
EPS*	2.87	2.18	

**After retroactive adjustment for capital reduction*



Balance Sheet & Key Indices

Amount: NT\$ Million
Selected Items from
Balance Sheet

	3Q'04		2Q'04		3Q'03	
	Amount	%	Amount	%	Amount	%
Total Assets	24,006	100.0%	25,272	100.0%	24,087	100.0%
Cash & S-T Investments	6,600	27.5%	7,874	31.2%	5,378	22.3%
Accounts Receivable	2,449	10.2%	2,415	9.6%	1,551	6.4%
Inventories	1,189	5.0%	1,316	5.2%	1,837	7.6%
Total Current Assets	11,594	48.3%	12,683	50.2%	9,404	39.0%
Accounts Payable and Others	1,764	7.3%	5,105	20.2%	4,147	17.2%
Accrued Liabilities	1,153	4.8%	1,024	4.1%	753	3.1%
Total Current Liabilities	2,916	12.1%	6,129	24.3%	4,899	20.3%
L-T Debt	2,750	11.5%	2,002	7.9%	4,427	18.4%
Total Equity	17,903	74.6%	16,736	66.2%	14,119	58.6%
Key Indices						
A/R Turnover Days	48		50		48	
Inventory Turnover Days	49		50		57	
Current Ratio	398%		207%		192%	
Debt Ratio	25%		34%		41%	
Net Working Capital	8,677		6,555		4,505	

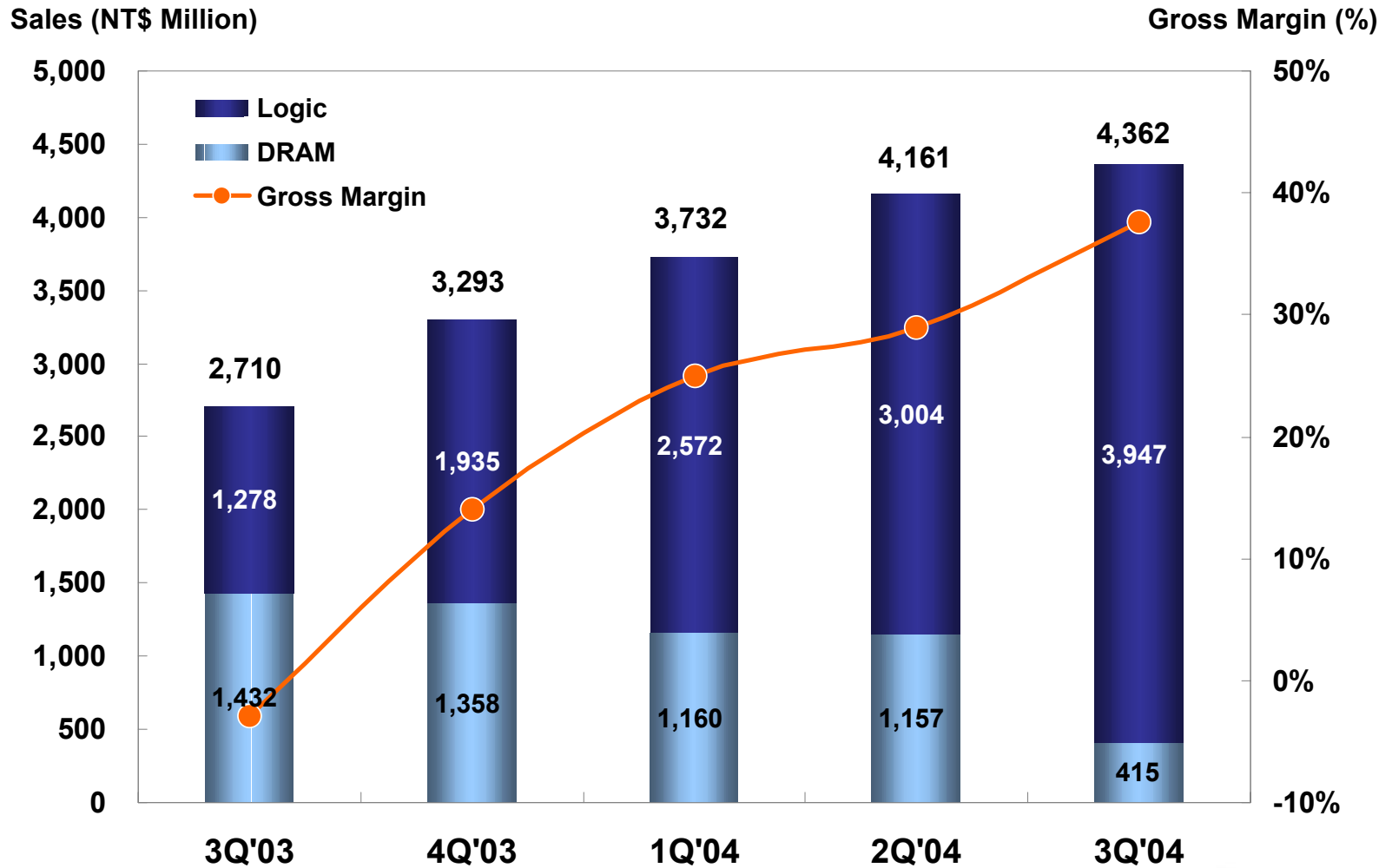


Cash Flows

Amount: NT\$Million	<u>3Q'04</u> Amount	<u>2Q'04</u> Amount	<u>3Q'03</u> Amount
From Operation	2,588	2,232	839
- Net Profit (Loss)	1,171	928	441
- Depreciation & Amort.	840	777	868
- Investment (Gain) Loss	4	4	(352)
- (Gain) Loss on Disposal of Properties - Net	(10)	(51)	-
- Changes of Inventory	127	293	(89)
From Investment	(398)	685	616
- Decrease (Increase) in S-T Invest.	808	1,906	(408)
- Acquisitions of Properties	(1,200)	(1,267)	(187)
- Acquisitions of L-T stock invest.	(43)	-	-
- Proceeds from Disposal of L-T stock Invest.	1	-	1,217
- Proceeds from Disposal of Properties	47	61	-
From Financing	(2,720)	(55)	(984)
- (Decrease) Increase on Bank Debt	(2,739)	(223)	(888)
- Proceeds from Exercise of Employee Stock Options	1	168	-



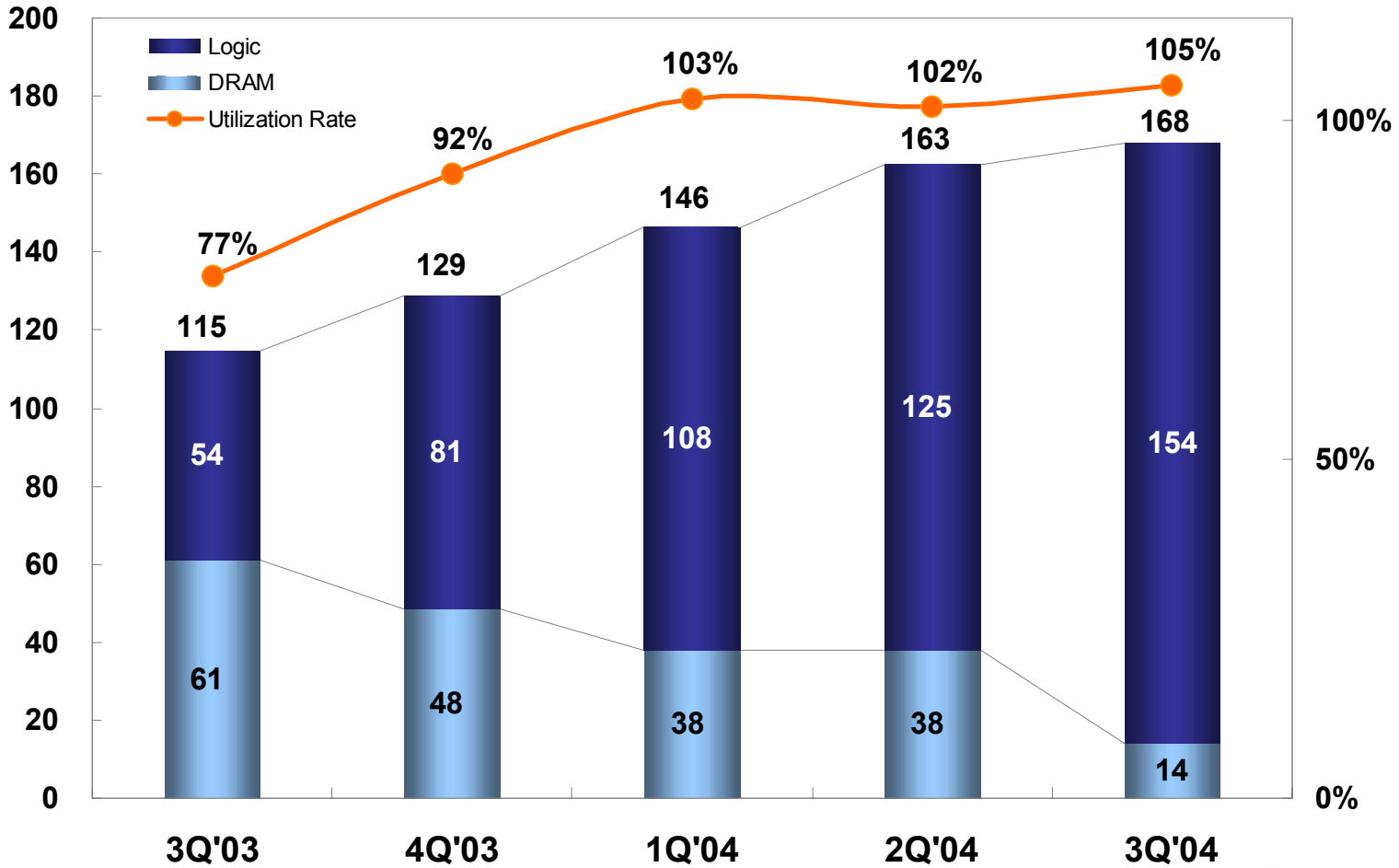
Improving Performance – Gross Margin



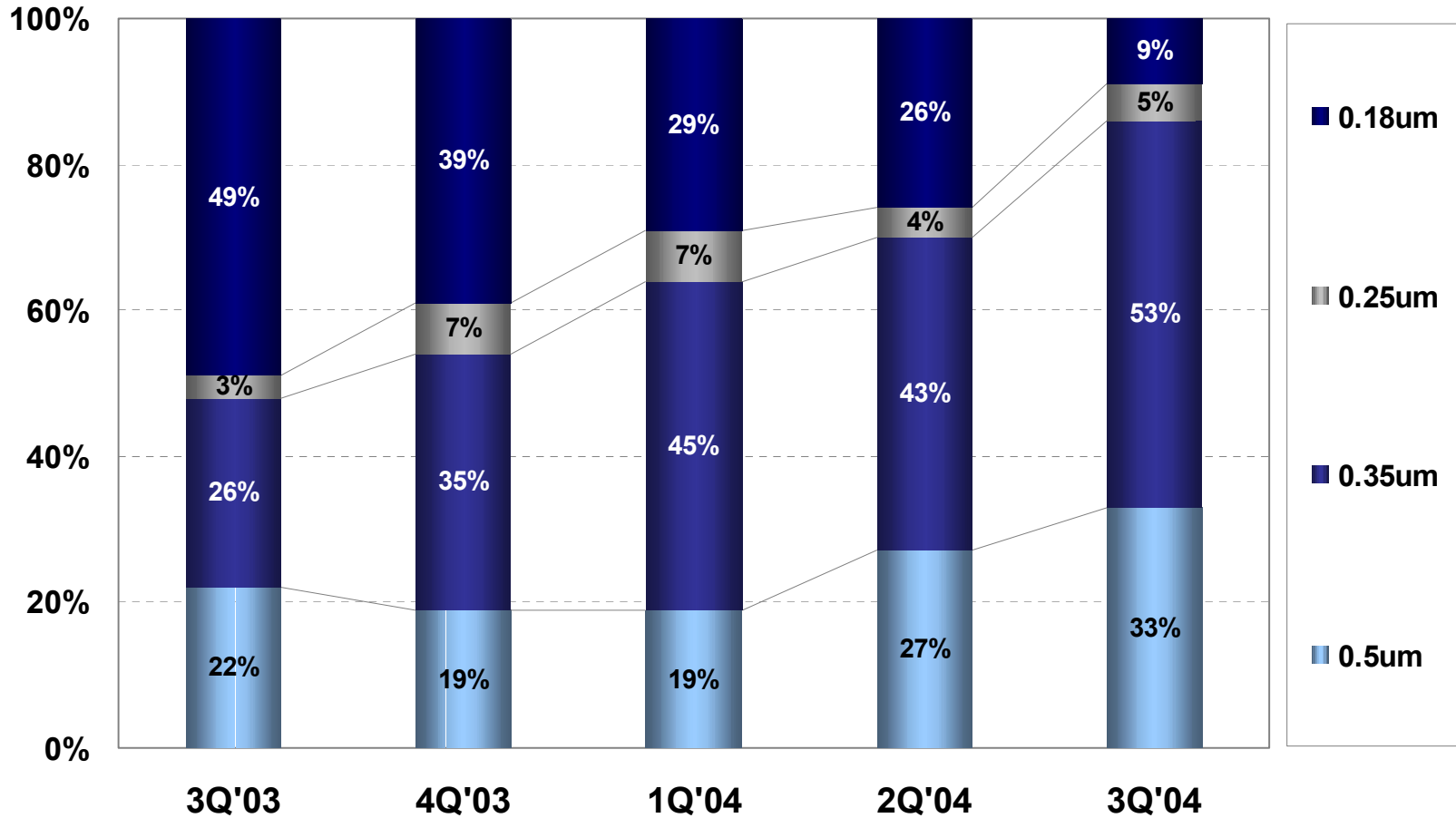
Utilization & Wafer Shipment

Wafer Shipment (8" Equiv. Kpcs)

Utilization (%)

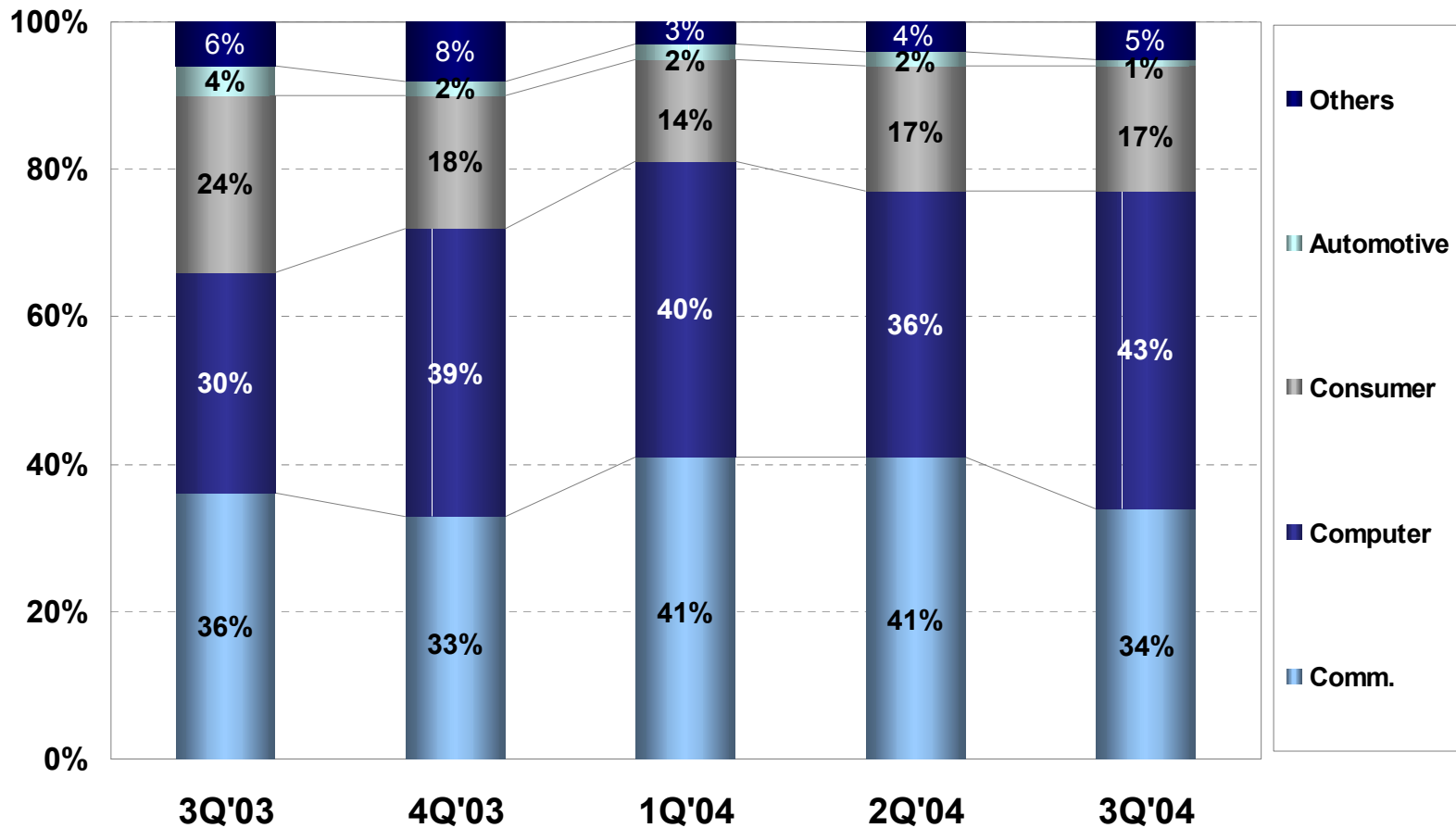


Sales Breakdown by Technology



Sales Breakdown by Application

Logic Foundry



4Q 2004 Guidance

- **Wafer shipment to decrease by about 12% q-o-q;**
- **Fab utilization rate to drop to around 90%;**
- **Wafer ASP to stay flat q-o-q;**
- **Gross margin to improve to around 41%.**



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