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VIS Reports 2009 Fourth Quarter Results

Fourth Quarter 2009 Overview:

- Revenue decreased 28% QoQ to NT\$3,123 million
- Gross profit margin of 11%, operating profit margin of 1%
- Net income of NT\$87 million
- Diluted earning per share was NT\$ 0.05

Hsinchu, Taiwan, January 29th, 2010 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 3,123 million, net income of NT\$87 million, and net earning per share of NT\$0.05 for the fourth quarter ended December 31, 2009.

On a sequential basis, fourth quarter revenue decreased 28% to NT\$3,123 million, from NT\$4,343 million in previous quarter. Net income in 4Q09 was NT\$87 million compared to NT\$684 million in 3Q09. As some customers were cautious in order placement and did inventory control in the first half of fourth quarter, Wafer shipments decreased 25% QoQ, Fab utilization decreased from 74% to 56% while Gross profit margin decreased to 11%, and Blended ASP decreased 3% compared with previous quarter. The results were a bit better or in-line with our guidance given on October 30th, 2009.

VIS spokesperson Mr. Robert Hsieh said, “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 shipment to increase by mid twenties percentage QoQ, Fab utilization rate to be around mid seventies percentage, Gross profit margin to be mid teens percentage, and Blended ASP to decrease by a high 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)	4Q09	3Q09	4Q08
Revenue	3,123	4,343	2,677
COGS	(2,772)	(3,380)	(2,933)
Gross Profit (Loss)	352	963	(256)
Gross Profit Margin (%)	11.3%	22.2%	-9.6%
Total Operating Exp.	(310)	(335)	(317)
G&A	(144)	(143)	(132)
Sales & Marketing	(8)	(25)	1
R&D	(158)	(168)	(186)
Operating Income (Loss)	41	627	(573)
Operating Profit Margin (%)	1.3%	14.4%	-21.4%

As some customers were cautious in order placement and did inventory control in the fourth quarter, sales revenue in 4Q09 was NT\$3,123 million, down 28% sequentially and up 17% YoY. Gross profit was NT\$352 million in 4Q09, down from NT\$963 million in 3Q09. And gross profit margin decreased from 22.2% to 11.3%.

Operating expenses for 4Q09 was NT\$310 million, decreased from NT\$335 million in 3Q09 mainly resulted from less sales & marketing and R&D expenses.

Income from operations for 4Q09 was NT\$41 million represented 1.3% of net sales.

II. Non-Operating Items:

(In NT\$ million)	4Q09	3Q09	4Q08
Net Non-operating Income (Exp.)	49	57	(59)
Investment Income (Loss)	73	26	(38)
Net Other Non-operating Income (Exp.)	(24)	31	(21)

Net non-operating income was NT\$49 million, down from NT\$57 million in 3Q09, primarily due to impairment loss on idle assets in 4Q09.



III. Financial Condition Review

(In NT\$ million)	4Q09	3Q09	4Q08
Cash & Financial Instruments	7,188	5,470	4,456
Account Receivable	1,784	2,658	1,334
Inventory	1,134	1,422	1,811
Total Current Assets	10,432	9,941	7,897
Account Payable and Others	794	1,046	831
Accrued Liabilities	1,043	1,337	1,569
Total Current Liabilities	1,836	2,383	2,400
Current Ratio	568%	417%	329%
Net Working Capital	8,596	7,558	5,496
A/R Turnover Days	45	58	45
Inventory Turnover Days	47	52	45

At the end of 4Q09, VIS has NT\$7,188 million cash & financial instruments, up NT\$1,718 million sequentially. Account Receivable down from NT\$2,658 million to NT\$1,784 million mainly result from business was slowing down in the fourth quarter. VIS ended the quarter with NT\$10,432 million in total current assets, compared to NT\$9,941 million at the end of the previous quarter, up NT\$491 million sequentially. Total current liabilities decreased NT\$547 million to NT\$1,836 million at the end of 4Q09, resulting from the decrease of NT\$252 million and NT\$294 million in accounts payable and accrued liabilities.

Net working capital increased to NT\$8,596 million at the end of the quarter, with a current ratio of 568%. A/R turnover days decreased 13 days to 45 days, and inventory turnover days decreased 5 days to 47 days.

IV. Cash Flow

(In NT\$ million)	4Q09	3Q09	4Q08
Cash - Begin of Period	5,023	4,277	3,571
Cash Flow from Operation	1,763	1,320	1,263
Cash Flow from Investment	113	105	(245)
Cash Flow from Financing	3	(675)	(320)
Net Cash Flow	1,879	750	697
Effect of Exchange Rate Changes	(1)	(3)	5
Cash - End of Period	6,901	5,023	4,273

Cash flow from operation increased from NT\$1,320 million to NT\$1,763 million, mainly resulted from less account receivable in 4Q09. The investment cash inflow was NT\$113 million, mainly reflecting proceeds from disposal of financial assets. The financing cash inflow was NT\$3 million, mainly reflecting proceeds from exercise of employee stock options.

As a result, the net cash inflow was NT\$1,879 million in 4Q09. And VIS ended the quarter with a cash balance of NT\$6,901 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	4Q09	3Q09	4Q08
0.5 μ m	25%	30%	25%
0.35 μ m	36%	38%	24%
0.25 μ m	6%	10%	11%
0.18 μ m	13%	11%	8%
Memory	20%	11%	32%

As fair demand from memory product customer, and some logic product customer conducted inventory control in 4Q09, revenue from memory increased to 20% of total sales in 4Q09.

Logic Revenue Breakdown by Application

By Application	4Q09	3Q09	4Q08
Computer	50%	46%	35%
Communication	16%	15%	23%
Consumer	22%	29%	29%
Others	12%	10%	13%

Demand from consumer applications decreased to 22% of total revenue in 4Q09, mainly related to less customer demand in small panel driver IC for PDA, DSC, and MP3. Computer application increase to 50%, mainly related to fair source driver IC demand for PC/NB monitor.

Logic Revenue Breakdown by Platform

By Platform	4Q09	3Q09
Driver IC (Large)	43%	41%
Driver IC (Small)	14%	20%
Power Management IC	18%	19%
Others	25%	20%

Others segment increased to 25% of total revenue in 4Q09, primarily due to customer still have fair IC demand for Video Capture Decoder and Security and Energy Management.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	4Q09	3Q09	2Q09	1Q09	4Q08
Wafer Shipments (Kpcs)	214	284	227	106	162

214 thousands 8-inch wafers were shipped in 4Q09, down 25% from 284 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter decreased to 56%.

Utilization Rate

	4Q09	3Q09	2Q09	1Q09	4Q08
Utilization Rate	56%	74%	60%	33%	46%