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# VIS Reports 2011 First Quarter Results

## First Quarter 2011 Overview:

- Revenue increased 17% QoQ to NT\$3,991 million
- Gross profit margin of 18%, operating profit margin of 9%
- Net income of NT\$397 million
- Diluted earning per share was NT\$ 0.24

Hsinchu, Taiwan, April 29th, 2011 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 3,991 million, net income of NT\$397 million, and net earning per share of NT\$0.24 for the first quarter ended March 31, 2011.

On a sequential basis, first quarter revenue increased 17% to NT\$3,991 million, from NT\$3,403 million in previous quarter. Net income in 1Q11 was NT\$397 million compared to NT\$313 million in 4Q10. After downstream digested inventory, customer's wafer foundry demand was increased in first quarter, Wafer shipment increased by 23% QoQ, Fab utilization also increased from 73% to 81% sequentially, Gross profit margin of 18%, and Blended ASP increased 2% compared with previous quarter. The results were in-line or a bit higher than our revised guidance given on March 8<sup>th</sup>, 2011.

VIS spokesperson Mr. Robert Hsieh said, "As second quarter outlook is complicated by quake and shown by fears for possible supply chain disruption, Wafer shipment to decrease by a low single digit percentage QoQ, Fab utilization rate to be around eighty percentage, Gross profit margin to be high teens 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)	1Q11	4Q10	1Q10
Revenue	3,991	3,403	3,574
COGS	(3,274)	(3,010)	(3,007)
Gross Profit	717	393	567
Gross Profit Margin (%)	18.0%	11.5%	15.9%
Total Operating Exp.	(358)	(342)	(340)
G&A	(162)	(154)	(153)
Sales & Marketing	(35)	(18)	(33)
R&D	(161)	(170)	(155)
Operating Income	360	51	226
Operating Profit Margin (%)	9.0%	1.5%	6.3%

As customer wafer demand was picking up in first quarter, sales revenue was NT\$3,991 million, up 17% sequentially. And rose 12% compared with NT\$ 3,574 million for the same period last year. Gross profit was NT\$717 million in 1Q11, up from NT\$393 million in 4Q10. And gross profit margin increased from 11.5% to 18.0% sequentially.

Operating expenses for 1Q11 was NT\$358 million, increased from NT\$342 million in 4Q10 mainly resulted from the higher bad debt provision.

Income from operations for 1Q11 was NT\$360 million represented 9.0% of net sales.

## II. Non-Operating Items:

(In NT\$ million)	1Q11	4Q10	1Q10
Net Non-operating Income	26	176	17
Investment Gain (Loss)	13	(6)	(10)
Net Other Non-operating Income	13	182	27

Net non-operating income was NT\$26 million in 1Q11, mainly resulted from interest income and gain on disposal of investments.



### III. Financial Condition Review

(In NT\$ million)	1Q11	4Q10	1Q10
Cash & Financial Instruments	7,564	8,419	7,317
Accounts Receivable	2,600	1,907	2,232
Inventory	1,623	1,615	1,208
<b>Total Current Assets</b>	<b>12,363</b>	<b>12,457</b>	<b>11,253</b>
Accounts Payable and Others	1,606	1,337	1,133
Accrued Liabilities	1,309	1,480	920
<b>Total Current Liabilities</b>	<b>2,915</b>	<b>2,817</b>	<b>2,053</b>
Current Ratio	424%	442%	548%
Net Working Capital	9,448	9,640	9,200
A/R Turnover Days	52	42	51
Inventory Turnover Days	45	39	36

At the end of 1Q11, VIS has NT\$7,564 million cash & financial instruments, down NT\$855 million sequentially. Accounts receivable up from NT\$1,907 million to NT\$2,600 million, mainly reflected business picked up in first quarter. VIS ended the quarter with NT\$12,363 million in total current assets, compared to NT\$12,457 million at the end of previous quarter, down NT\$94 million sequentially.

Net working capital decreased NT\$192 million to NT\$9,448 million at the end of first quarter, with a current ratio of 424%. A/R turnover days increased 10 days to 52 days, and inventory turnover days increased 6 day to 45 days sequentially.

### IV. Cash Flow

(In NT\$ million)	1Q11	4Q10	1Q10
Cash - Begin of Period	8,322	7,430	6,901
Cash Flow from Operation	336	1,647	441
Cash Flow from Investment	(1,150)	(648)	(286)
Cash Flow from Financing	32	(100)	8
<b>Net Cash Flow</b>	<b>(783)</b>	<b>899</b>	<b>163</b>
Effect of Exchange Rate Changes	(6)	(7)	(1)
Cash - End of Period	7,533	8,322	7,063

Cash inflow from operation decreased from NT\$1,647 million to NT\$336 million, mainly due to higher Accounts Receivable in first quarter. The investment cash outflow was NT\$1,150 million, mainly reflecting the acquisitions of properties. The financing cash inflow was NT\$32 million, mainly reflecting the Proceeds from Excise of Employee Stock Options.

As a result, the net cash outflow was NT\$783 million in 1Q11. And VIS ended the quarter with a cash balance of NT\$7,533 million.



## V. Revenue Analysis

### Revenue Breakdown by Technology

By Technology	1Q11	4Q10	1Q10
0.5 $\mu$ m	30%	29%	24%
0.35 $\mu$ m	29%	34%	41%
0.25 $\mu$ m	7%	7%	8%
$\leq 0.18 \mu$ m	34%	30%	16%
Memory	0%	0%	11%

Driven by relatively good customer demand in CIS, large panel driver IC, and power management IC, revenue in  $\leq 0.18\mu$ m and 0.5 $\mu$ m segments increased to 34% and 30% of total sales revenue respectively.

### Logic Revenue Breakdown by Application

By Application	1Q11	4Q10	1Q10
Computer	40%	40%	51%
Communication	19%	22%	17%
Consumer	29%	25%	23%
Others	12%	13%	9%

As good customer demand in driver IC for TV panel, Consumer application increased to 29% of total revenue in 1Q11.

### Logic Revenue Breakdown by Platform

By Platform	1Q11	4Q10
Driver IC (Large)	45%	44%
Driver IC (Small)	19%	20%
Power Management IC	21%	17%
Others	15%	19%

As relatively strong demand in driver IC for TV panel and PM IC, Large panel driver IC and Power Management IC segments increased to 45% and 21% of total revenue respectively.

## VI. Wafer Shipments and Utilization Rate

### Wafer Shipments

	1Q11	4Q10	3Q10	2Q10	1Q10
Wafer Shipments (Kpcs)	298	243	331	307	264

298 thousands 8-inch wafers were shipped in 1Q11, up 23% from 243 thousands 8-inch wafers in previous quarter. Overall utilization rate for the quarter also increased to 81% sequentially.

### Utilization Rate

	1Q11	4Q10	3Q10	2Q10	1Q10
Utilization Rate	81%	73%	102%	97%	88%