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VIS Reports 2012 Second Quarter Results

Second Quarter 2012 Overview:

- Revenue increased 44% QoQ to NT\$4,552 million
- Gross profit margin of 28%, operating profit margin of 18%
- Net income of NT\$772 million
- Diluted earning per share was NT\$ 0.48

Hsinchu, Taiwan, Aug. 6th, 2012 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 4,552 million, net income of NT\$772 million, and net earning per share of NT\$0.48 for the second quarter ended June 30th, 2012.

On a sequential basis, second quarter revenue increased 44% to NT\$4,552 million, from NT\$3,150 million in previous quarter. Net income in 2Q12 was NT\$772 million compared to NT\$24 million in 1Q12. As customers replenished inventories in 2Q12, Wafer shipment increased 43% QoQ, Fab utilization grew to 83% sequentially, slightly below our guidance given on Apr. 27th, 2012, While Gross profit margin reached 28%, and Blended ASP increased 3% compared with previous quarter.

VIS spokesperson Mr. D.L. Tseng said, “As gloomy end market demand and customers have turned more cautious on building up inventories, for the third quarter, Wafer shipment to decrease by a mid single digit percentage QoQ, Fab utilization rate to be around eighty percentage, Gross profit margin to be mid twenties percentage, and Blended ASP to increase by a mid 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)	2Q12	1Q12	2Q11
Revenue	4,552	3,150	4,017
COGS	(3,291)	(2,795)	(3,218)
Gross Profit	1,261	356	798
Gross Profit Margin (%)	27.7%	11.3%	19.9%
Total Operating Exp.	(430)	(374)	(352)
G&A	(169)	(130)	(156)
Sales & Marketing	(54)	(44)	(33)
R&D	(207)	(201)	(163)
Operating Income (Loss)	831	(19)	446
Operating Profit Margin (%)	18.3%	-0.6%	11.1%

As good customer demand in second quarter, sales revenue increased to NT\$4,552 million, up 44% sequentially and 13% YoY. Thanks to better Fab loading, gross profit was NT\$1,261 million, up from NT\$356 million in 1Q12 and gross profit margin increased from 11.3% to 27.7% sequentially.

Operating expenses for 2Q12 was NT\$430 million, increased from NT\$374 million in 1Q12 mainly resulted from more provision of profit sharing and employee bonus in 2Q12.

Operating income for 2Q12 was NT\$831 million represented 18.3% of net sales.

II. Non-Operating Items:

(In NT\$ million)	2Q12	1Q12	2Q11
Net Non-operating Income	23	9	25
Investment Gain (Loss)	9	(4)	12
Net Other Non-operating Income	14	13	13

Net non-operating income was NT\$23 million in 2Q12, mainly contributed by interest revenue and gain on investments.



III. Financial Condition Review

(In NT\$ million)	2Q12	1Q12	2Q11
Cash & Financial Instruments	8,816	8,112	8,046
Accounts Receivable	3,232	2,138	2,679
Inventory	1,630	1,408	1,886
Total Current Assets	14,116	12,020	12,916
Accounts Payable and Others	1,026	877	1,395
Cash Dividends	968	0	987
Accrued Liabilities	1,499	1,183	1,431
Total Current Liabilities	3,493	2,061	3,813
Current Ratio	404%	583%	339%
Net Working Capital	10,622	9,959	9,103
A/R Turnover Days	66	65	52
Inventory Turnover Days	43	43	49

VIS ended the quarter with NT\$14,116 million in total current assets, compared to NT\$12,020 million at the end of previous quarter, up NT\$2,096 million, primarily due to NT\$704 million and NT\$1,093 million sequential increase in cash & financial instruments and accounts receivable in 2Q12.

Total current liabilities increased NT\$1,432 million to NT\$3,493 million in the end of 2Q12, primarily resulting from the accrual of NT\$968 million cash dividends.

Net working capital increased NT\$663 million to NT\$10,622 million at the end of the second quarter, with a current ratio of 404%. A/R turnover days increase to 66 days, and inventory turnover days kept 43 days sequentially.

IV. Cash Flow

(In NT\$ million)	2Q12	1Q12	2Q11
Cash - Begin of Period	8,000	8,201	7,533
Cash Flow from Operation	701	914	1,201
Cash Flow from Investment	(194)	(267)	(702)
Cash Flow from Financing	(17)	(842)	(1)
Net Cash Flow	490	(195)	498
Effect of Exchange Rate Changes	2	(5)	(5)
Cash - End of Period	8,492	8,000	8,026

Due to accounts receivable and inventory picked up in second quarter, cash inflow from operation decreased to NT\$701 million. The investment cash outflow was NT\$194 million, mainly reflecting the acquisitions of properties and increase in financial assets. The financing cash outflow was NT\$17 million, mainly reflecting the share buyback, partially offset by the positive effect from proceeds from exercise of employee stock options and guarantee deposit in.

All in all, the net cash inflow was NT\$490 million in 2Q12. And VIS ended the quarter with a cash balance of NT\$8,492 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	2Q12	1Q12	2Q11
0.5 μ m	39%	40%	32%
0.35 μ m	18%	22%	30%
0.25 μ m	10%	11%	4%
<=0.18 μ m	33%	27%	34%

Driven by good customer wafer demand in 0.18um and advanced for large panel driver IC and Mixed signal product, revenue in <=0.18um segments increased to 33% of total sales revenue in 2Q12.

Revenue Breakdown by Application

By Application	2Q12	1Q12	2Q11
Computer	47%	42%	40%
Communication	13%	11%	23%
Consumer	27%	35%	24%
Others	13%	12%	13%

As relatively better wafer foundry demand for PC/NB and mobile phone, Computer and Communication application increased 5% and 2% to 47% and 13% in 2Q12 respectively..

Revenue Breakdown by Platform

By Platform	2Q12	1Q12
Driver IC (Large)	46%	45%
Driver IC (Small)	12%	15%
Power Management IC	30%	30%
Others	12%	10%

Due to continuing good customer demand in mixed signal product for handset and panel driver IC for TV, tablet and PC/NB, Others and Large panel driver IC increased to 12% and 46% of total revenue in 2Q12 respectively.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	2Q12	1Q12	4Q11	3Q11	2Q11
Wafer Shipments (Kpcs)	357	250	249	299	310

Wafer shipments increased to 357 thousands 8-inch wafers, up 43% QoQ in 2Q12. Overall utilization rate for the quarter reached 83%.

Utilization Rate

	2Q12	1Q12	4Q11	3Q11	2Q11
Utilization Rate	83%	61%	61%	71%	85%