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VIS Reports 2014 Third Quarter Results

Third Quarter 2014 Overview:

- Revenue increased 6.2% QoQ to NT\$6,185 million
- Gross profit margin was around 34%, operating profit margin was around 24%
- Net income of NT\$1,324 million
- Diluted earning per share was NT\$0.80

Hsinchu, Taiwan, Nov. 3rd, 2014 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 6,185 million, net income of NT\$1,324 million, and net earnings per share of NT\$0.80 for the third quarter ended Sep. 30, 2014.

On a sequential basis, third quarter revenue increased 6.2% to NT\$6,185 million, from NT\$5,822 million in previous quarter. Net income in 3Q14 was NT\$1,324 million compared to NT\$1,323 million in 2Q14. As customers maintained strong wafer demand, for the third quarter, wafer shipments increased around 9% QoQ. Fab utilization rate was about 101%, Gross profit margin was around 34%, and Blended ASP decreased by 1% compared with previous quarter. The results were roughly in line with our guidance given on Aug. 4th, 2014.

VIS spokesperson Mr. D.L. Tseng said, “As customers keep strong wafer demand, for the fourth quarter, Wafer shipment to be flat QoQ, Fab utilization rate to be around 100%, Gross profit margin to be between 32% to 34%, and Blended ASP to be 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)	3Q14	2Q14	3Q13
Net Revenue	6,185	5,822	5,590
Cost of Revenue	(4,076)	(3,616)	(3,705)
Gross Profit	2,109	2,206	1,885
Gross Profit Margin (%)	34.1%	37.9%	33.7%
Total Operating Exp.	(619)	(587)	(510)
G&A	(256)	(228)	(192)
Sales & Marketing	(61)	(70)	(52)
R&D	(302)	(290)	(265)
Operating Income	1,490	1,619	1,375
Operating Profit Margin (%)	24.1%	27.8%	24.6%

As more wafer shipped, revenue increased 6.2% sequentially and 10.6% YoY. Due to unfavorable FX and higher manufacturing cost resulted from fab3 allocated some capacity for process qualification, gross profit was NT\$2,109 million, down from NT\$2,206 million in 2Q14. And gross profit margin decreased from 37.9% to 34.1% sequentially.

Operating expenses for 3Q14 was NT\$619 million, up from NT\$587 million, mainly resulted from more personnel cost and R/D cost.

Operating income for 3Q14 was NT\$1,490 million represented 24.1% of net sales.

II. Non-Operating Items:

(In NT\$ million)	3Q14	2Q14	3Q13
Net Non-operating Income	87	45	54
Investment (Loss) Gain	(2)	14	2
Net Other Non-operating Income	89	31	52

Net non-operating income was NT\$87 million in 3Q14, mainly contributed by interest revenue and gain from foreign exchange.



III. Financial Condition Review

(In NT\$ million)	3Q14	2Q14	3Q13
Cash & Financial Instruments	16,940	20,415	14,354
Accounts Receivable	3,569	3,184	3,054
Inventory	2,352	1,680	1,731
Total Current Assets	23,205	25,499	19,399
Accounts Payable and Others	1,522	1,230	875
Cash Dividends	0	2,873	0
Accrued Liabilities	3,202	3,191	2,295
Total Current Liabilities	4,724	7,294	3,170
Current Ratio	491%	350%	612%
Net Working Capital	18,481	18,205	16,229
A/R Turnover Days	52	50	49
Inventory Turnover Days	49	43	46

At the end of 3Q14, VIS has NT\$16,940 million cash & financial instruments, down NT\$3,475 million sequentially. Accounts Receivable increased NT\$385 million to NT\$3,569 million in 3Q14. Inventory increased NT\$672 million to NT\$2,352 million in 3Q14. VIS ended the quarter with NT\$23,205 million in total current assets, compared to NT\$25,499 million at the end of the previous quarter, decreased NT\$2,294 million sequentially.

Total current liabilities decreased NT\$2,570 million to NT\$4,724 million at the end of 3Q14, primarily resulting from the distribution of NT\$2,873 million cash dividends.

Net working capital increased to NT\$18,481 million in 3Q14, up NT\$276 million sequentially, with a current ratio of 491%. A/R turnover days increased 2 days to 52 days, and inventory turnover days increased 6 day to 49 days sequentially.

IV. Cash Flow

(In NT\$ million)	3Q14	2Q14	3Q13
Cash - Begin of Period	19,497	17,644	13,672
Cash Flow from Operation	1,020	2,150	1,899
Cash Flow from Investment	(1,471)	(479)	(118)
Cash Flow from Financing	(2,828)	187	(1,541)
Net Cash Flow	(3,279)	1,857	240
Effect of Exchange Rate Changes	4	(4)	(3)
Cash - End of Period	16,223	19,497	13,910

Cash inflow from operation decreased NT\$1,130 million sequentially to NT\$1,020, mainly resulted from higher Notes and Accounts Receivable and inventory. The investment cash outflow was NT\$1,471 million, mainly reflecting acquisition of properties. The cash outflow of NT\$2,828 million from financing activities mainly reflected the distribution of NT\$2,873 million cash dividends.

As a result, the net cash outflow was NT\$3,279 million in 3Q14. And VIS ended the quarter with a cash balance of NT\$16,223 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	3Q14	2Q14	3Q13
0.5μ m	27%	29%	29%
0.35μ m	15%	14%	14%
0.25μ m	19%	20%	21%
<=0.18μ m	39%	37%	36%

Driven by good customer demand in Power Management IC and memory products by fab3 acquisition, 0.18um and 0.35um technology accounted for 39% and 15%, respectively.

Revenue Breakdown by Application

By Application	3Q14	2Q14	3Q13
Computer	37%	38%	43%
Communication	15%	18%	18%
Consumer	26%	28%	27%
Others	22%	16%	12%

As better wafer demand for Semiconductor or Industrial/Automotive products, Others application accounted for 22% of total revenue, up from 16%.

Revenue Breakdown by Platform

By Platform	3Q14	2Q14
Driver IC (Large)	37%	36%
Driver IC (Small)	13%	20%
Power Management IC	37%	36%
Others	13%	8%

Driven by good customer demand in Power Management IC and memory products by fab3 acquisition and TV panel DDIC customer inventory rebuilding, Power Management IC, Large DDIC, and Others platform accounted for 37%, 37% and 13% of total revenue in 3Q14, respectively.

VI. Wafer Shipments and Utilization Rate

Wafer Shipments

	3Q14	2Q14	1Q14	4Q13	3Q13
Wafer Shipments (Kpcs)	479	440	428	413	425

Wafer shipments increased to 479 thousands 8-inch wafers increased 9% QoQ in 3Q14. Overall utilization rate was 101%.

Utilization Rate

	3Q14	2Q14	1Q14	4Q13	3Q13
Utilization Rate	101%	104%	106%	101%	101%