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VIS Reports 2015 Third Quarter Results

Third Quarter 2015 Overview:

- Revenue decreased 14% QoQ to NT\$5,296 million
- Gross profit margin was around 27.2%, operating profit margin was around 16.9%
- Net income of NT\$851 million
- Diluted earning per share was NT\$0.51

Hsinchu, Taiwan, Oct. 29th, 2015 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 5,296 million, net income of NT\$851 million, and net earnings per share of NT\$0.51 for the third quarter ended Sep. 30, 2015.

On a sequential basis, as slow end market demand, third quarter revenue decreased 14% to NT\$5,296 million, from NT\$6,144 million in previous quarter. Net income in 3Q15 was NT\$851 million compared to NT\$1,063 million in 2Q15. Gross profit margin was around 27.2%, and Operating profit margin was around 16.9%. The results were in line with our guidance given on Aug. 4th, 2015.

VIS spokesperson Mr. D.L. Tseng said, “Since customer demand is soft, and downstream industries continue working on inventory digestion, for the fourth quarter, Revenue to be between NT\$ 5.1 billion and NT\$ 5.4 billion, Gross profit margin to be between 26% and 28%, and Operating profit margin to be between 15.5% and 17.5%.”

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)	3Q15	2Q15	3Q14*
Net Revenue	5,296	6,144	6,185
Cost of Revenue	(3,856)	(4,329)	(4,076)
Gross Profit	1,439	1,815	2,109
Gross Profit Margin (%)	27.2%	29.5%	34.1%
Total Operating Exp.	(545)	(627)	(618)
G&A	(190)	(253)	(256)
Sales & Marketing	(42)	(56)	(61)
R&D	(312)	(318)	(302)
Operating Income	895	1,188	1,490
Operating Profit Margin (%)	16.9%	19.3%	24.1%

*3Q14 figures have been restated in accordance with 2013 version of IFRSs

As less wafer shipped, revenue declined 14% sequentially. Gross profit was NT\$1,439 million, down from NT\$1,815 million in 2Q15. Due to lower fab utilization, gross profit margin decreased from 29.5% to 27.2% sequentially.

Operating expenses for 3Q15 was NT\$545 million, down from NT\$627 million, mainly resulted from lower personnel cost.

Operating income for 3Q15 was NT\$895 million represented 16.9% of net sales.

II. Non-Operating Items:

(In NT\$ million)	3Q15	2Q15	3Q14*
Net Non-operating Income	112	117	87
Investment Gain (Loss)	0	40	(2)
Net Other Non-operating Income	112	76	89

*3Q14 figures have been restated in accordance with 2013 version of IFRSs

Net non-operating income was NT\$112 million in 3Q15, mainly contributed by interest income and gain from FX.



III. Financial Condition Review

(In NT\$ million)	3Q15	2Q15	3Q14*
Cash & Financial Instruments	17,487	21,133	16,940
Accounts Receivable	3,063	3,336	3,569
Inventories	2,546	2,599	2,352
Total Current Assets	23,381	27,385	23,205
Notes and Accounts Payable	870	1,029	1,276
Cash Dividends Payable	0	4,259	0
Accrued Liabilities and Others	3,158	3,981	3,448
Total Current Liabilities	4,028	9,269	4,724
Current Ratio	580%	295%	491%
Net Working Capital	19,353	18,116	18,481
A/R Turnover Days	54	53	52
Inventory Turnover Days	55	54	49

*3Q14 figures have been restated in accordance with 2013 version of IFRSs

At the end of 3Q15, VIS has NT\$17,487 million cash & financial instruments, down NT\$3,646 million sequentially. Accounts Receivable decreased NT\$273 million to NT\$3,063 million in 3Q15. Inventory decreased NT\$53 million to NT\$2,546 million in 3Q15. VIS ended the quarter with NT\$23,381 million in total current assets, compared to NT\$27,385 million at the end of the previous quarter, decreased NT\$4,004 million sequentially.

Total current liabilities decreased NT\$5,241 million to NT\$4,028 million at the end of 3Q15, primarily resulting from the payment of NT\$4,259 million cash dividends.

Net working capital increased to NT\$19,353 million in 3Q15, up NT\$1,237 million sequentially, with a current ratio of 580%. A/R turnover days increased 1 days to 54 days, and inventory turnover days increased 1 day to 55 days sequentially.

IV. Cash Flow

(In NT\$ million)	3Q15	2Q15	3Q14*
Cash - Begin of Period	20,669	19,052	19,497
Cash Flow from Operation	962	1,798	1,020
Cash Flow from Investment	(661)	(189)	(1,471)
Cash Flow from Financing	(4,287)	10	(2,827)
Net Cash Flow	(3,986)	1,620	(3,279)
Effect of Exchange Rate Changes	15	(3)	4
Cash - End of Period	16,698	20,669	16,223

*3Q14 figures have been restated in accordance with 2013 version of IFRSs

Cash inflow from operation decreased NT\$836 million sequentially to NT\$962. The investment cash outflow was NT\$661 million, mainly reflecting CAPEX and the increase in financial assets. The cash outflow of NT\$4,287 million from financing activities mainly reflected the payment of cash dividends.

As a result, the net cash outflow was NT\$3,986 million in 3Q15, and VIS ended the quarter with a cash balance of NT\$16,698 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	3Q15	2Q15	3Q14
0.5μ m	27%	27%	27%
0.35μ m	16%	17%	15%
0.25μ m	20%	13%	19%
<=0.18μ m	37%	43%	39%

Driven by increase customer demand in power management IC for tablet, 0.25um technology accounted for 20% of total revenue.

Revenue Breakdown by Application

By Application	3Q15	2Q15	3Q14
Computer	32%	32%	37%
Communication	21%	23%	15%
Consumer	26%	23%	26%
Others	21%	22%	22%

As better wafer demand for TV and AV products, revenue from Consumer application increased to 26% of total revenue in 3Q15.

Revenue Breakdown by Platform

By Platform	3Q15	2Q15
Driver IC (Large)	30%	30%
Driver IC (Small)	14%	19%
Power Management IC	42%	37%
Others	14%	14%

As stable customer demand in power management IC, PMIC platform increased to 42% of total revenue in 3Q15.

VI. Wafer Shipments

Wafer Shipments

	3Q15	2Q15	1Q15	4Q14	3Q14
Wafer Shipments (Kpcs)	396	466	478	488	479

Wafer shipments decreased to 396 thousands 8-inch wafers, down around 15% QoQ in 3Q15.