



# **VANGUARD**

## **2005 First Quarter Results** ***Investor Conference***

***April 29th, 2005***

# Agenda

- Welcome
- 1Q 2005 Financial Results - Robert Hsieh
- Remarks - Paul Chien
- Q & A



# Disclaimer

**This Investor Conference Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.**



# 1Q'05 Result Highlights

Amount: NT\$Million	1Q'05	4Q'04	1Q'04
	Amount	Amount	Amount
Net Sales	2,228	3,624	3,732
Net Income	995	1,564	1,092
EPS(NT\$) *	0.68	1.07	0.75
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Cash and Equivalent + S-T Invest.	10,863	8,439	6,877
Interest-bearing Debt	2,807	2,864	5,479
Shareholders' Equity	20,542	19,415	15,603
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Total Wafers Shipped (Kpcs)	104	140	146
Utilization (%)	64%	87%	103%

\* After retroactive adjustments for capital reduction



# Income Statement - YoY Comparison

Amount: NT\$Million	1Q'05		1Q'04		YoY
	Amount	%	Amount	%	%
Net Sales	2,228	100%	3,732	100%	-40%
COGS	(1,731)	-78%	(2,803)	-75%	-38%
Gross Profit (Loss)	497	22%	928	25%	-46%
Operating Expense	(272)	-12%	(249)	-7%	9%
Operating Income (Loss)	225	10%	679	18%	-67%
Investment Income (Loss)	819	37%	365	10%	125%
Inventory Valuation (Loss)	(4)	0%	101	3%	-
Net Other Non-operating Income (Exp.)	15	1%	165	4%	-91%
Income before Tax	1,055	47%	1,309	35%	-19%
Net Income	995	45%	1,092	29%	-9%
EPS (NT\$) *	0.68		0.75		-9%

*\*After retroactive adjustments for capital reduction*



# Income Statement - QoQ Comparison

Amount: NT\$Million

	1Q'05		4Q'04		QoQ
	Amount	%	Amount	%	%
Net Sales	2,228	100%	3,624	100%	-39%
COGS	(1,731)	-78%	(2,382)	-66%	-27%
Gross Profit (Loss)	497	22%	1,242	34%	-60%
Operating Expense	(272)	-12%	(244)	-7%	11%
Operating Income (Loss)	225	10%	998	28%	-77%
Investment Income (Loss)	819	37%	711	20%	15%
Inventory Valuation (Loss)	(4)	0%	(11)	0%	-64%
Net Other Non-operating Income (Exp.)	15	1%	81	2%	-82%
Income before Tax	1,055	47%	1,779	49%	-41%
Net Income	995	45%	1,564	43%	-36%
EPS (NT\$)	0.68		1.07		-36%



# Balance Sheet & Key Indices

Amount: NT\$ Million

Selected Items from  
Balance Sheet

	1Q'05		4Q'04		1Q'04	
	Amount	%	Amount	%	Amount	%
<b>Total Assets</b>	<b>25,638</b>	<b>100.0%</b>	<b>24,745</b>	<b>100.0%</b>	<b>24,168</b>	<b>100.0%</b>
Cash & S-T Investments	10,863	42.4%	8,439	34.1%	6,877	28.5%
Accounts Receivable	1,260	4.9%	2,034	8.2%	2,109	8.7%
Inventory	1,079	4.2%	1,045	4.2%	1,609	6.7%
<b>Total Current Assets</b>	<b>13,968</b>	<b>54.5%</b>	<b>12,261</b>	<b>49.5%</b>	<b>11,791</b>	<b>48.8%</b>
Accounts Payable and Others	1,292	5.0%	1,631	6.6%	3,802	15.7%
Accrued Liabilities	1,323	5.2%	1,200	4.8%	777	3.2%
<b>Total Current Liabilities</b>	<b>2,615</b>	<b>10.2%</b>	<b>2,831</b>	<b>11.4%</b>	<b>4,580</b>	<b>18.9%</b>
<b>L-T Debt</b>	<b>2,037</b>	<b>7.9%</b>	<b>2,054</b>	<b>8.3%</b>	<b>3,595</b>	<b>14.9%</b>
<b>Total Equity</b>	<b>20,542</b>	<b>80.1%</b>	<b>19,415</b>	<b>78.5%</b>	<b>15,603</b>	<b>64.6%</b>

## Key Indices

A/R Turnover Days	67	45	49
Inventory Turnover Days	56	49	57
Debt Ratio	20%	22%	35%
Current Ratio	534%	433%	257%
Net Working Capital	11,352	9,430	7,212



# Cash Flows

Amount: NT\$Million	<u>1Q'05</u> Amount	<u>4Q'04</u> Amount	<u>1Q'04</u> Amount
<b>From Operation</b>	<b>2,793</b>	<b>2,965</b>	<b>1,307</b>
- Net Profit (Loss)	995	1,564	1,092
- Depreciation & Amort.	958	903	756
- Investment (Gain) Loss	7	(59)	(336)
- (Gain) Loss on Disposal of Properties - Net	0	(22)	(187)
- Changes of Accounts Receivable	780	479	(317)
- Changes of Inventory	(34)	144	252
<b>From Investment</b>	<b>84</b>	<b>(246)</b>	<b>(343)</b>
- Decrease (Increase) in S-T Invest.	566	735	274
- Acquisitions of Properties	(461)	(1,632)	(826)
- Proceeds from Capital Reduction of L-T Stock Invest.	0	668	0
- Proceeds from Disposal of Properties	0	23	209
<b>From Financing</b>	<b>112</b>	<b>(144)</b>	<b>210</b>
- (Decrease) Increase on Bank Debt	(18)	(147)	333
- Refundable Deposit	(16)	(1)	(151)
- Proceeds from Exercise of Employee Stock Options	146	2	28

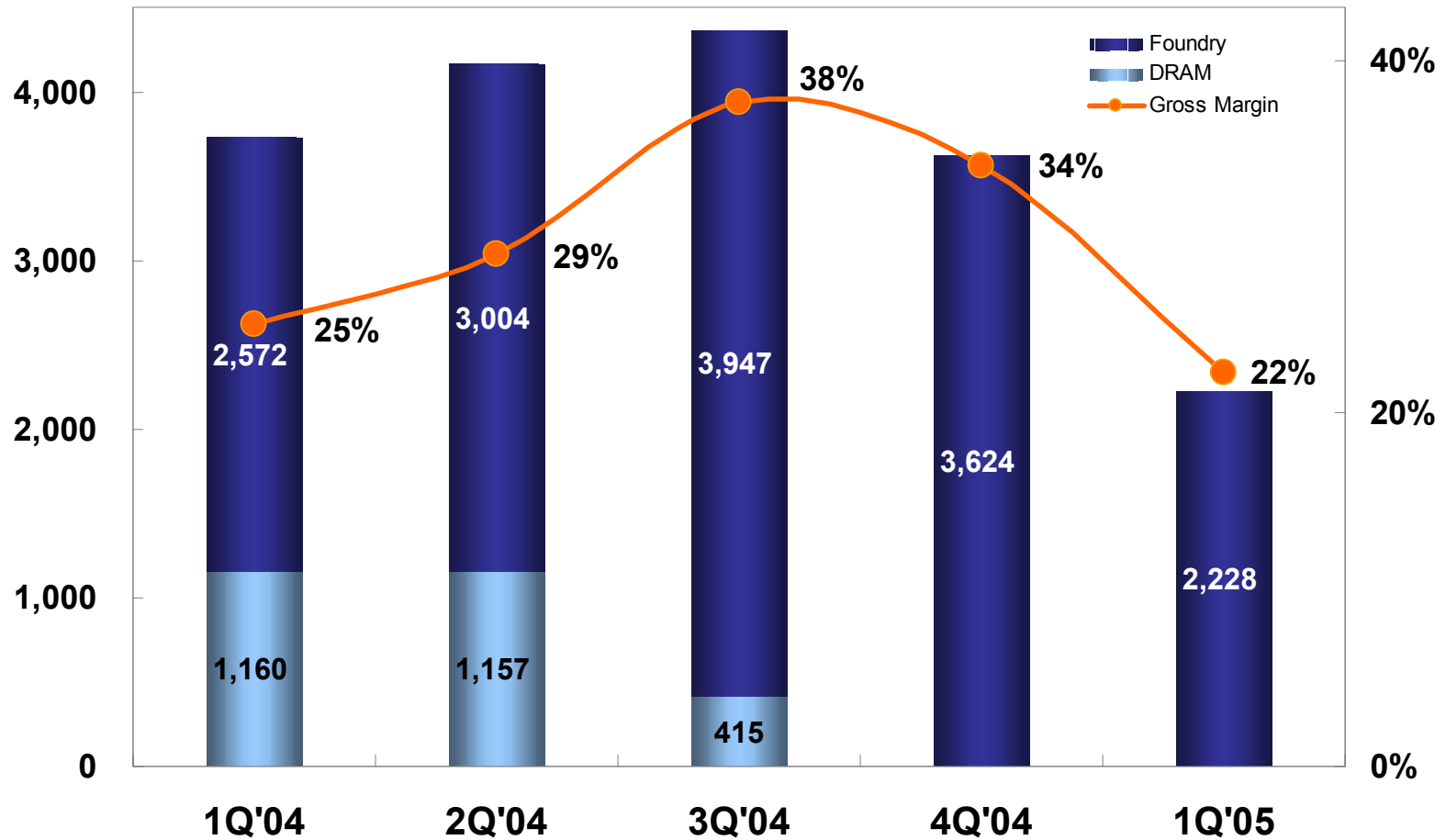




# Net Sales & Gross Margin

Sales (NT\$ Million)

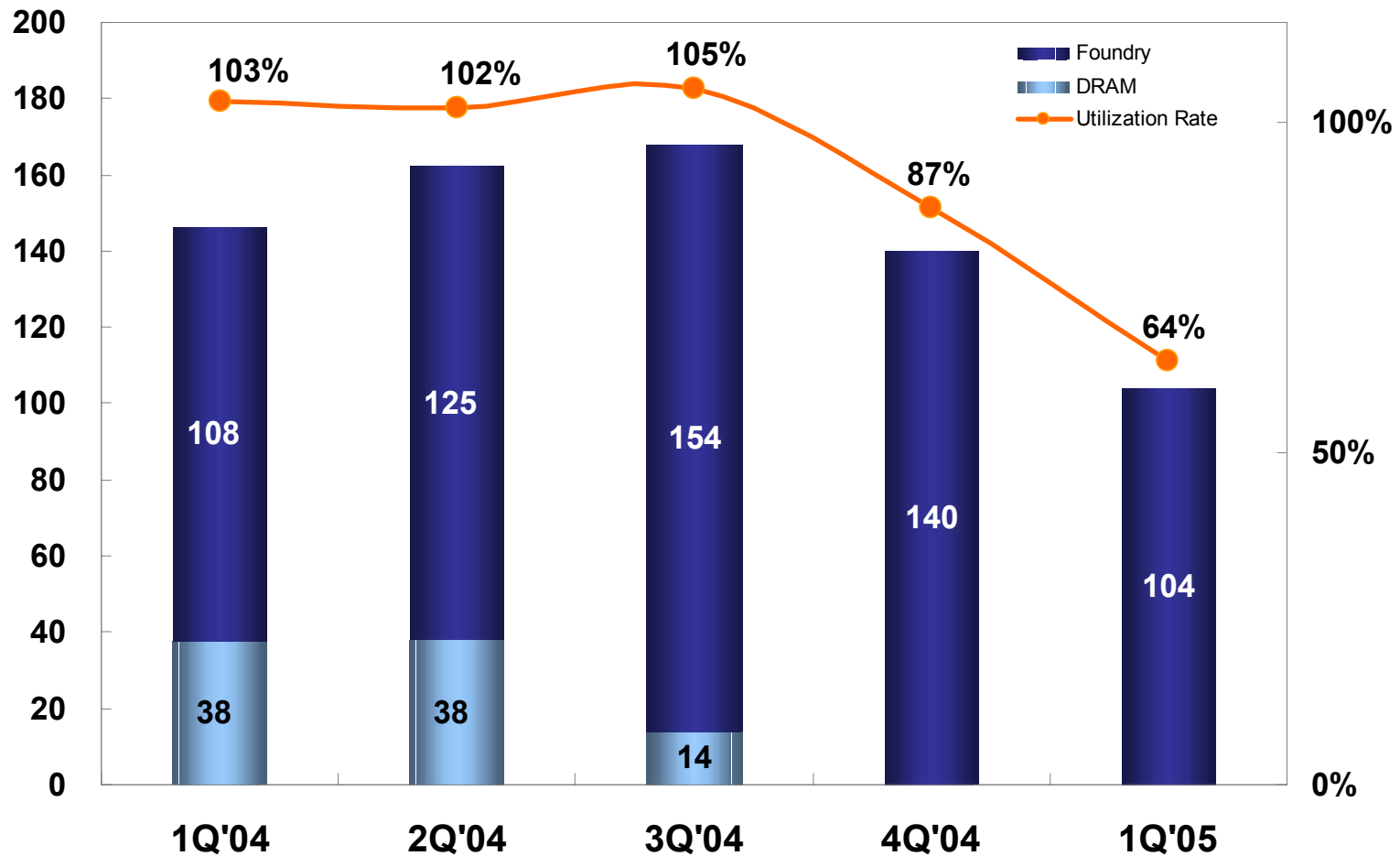
Gross Margin (%)



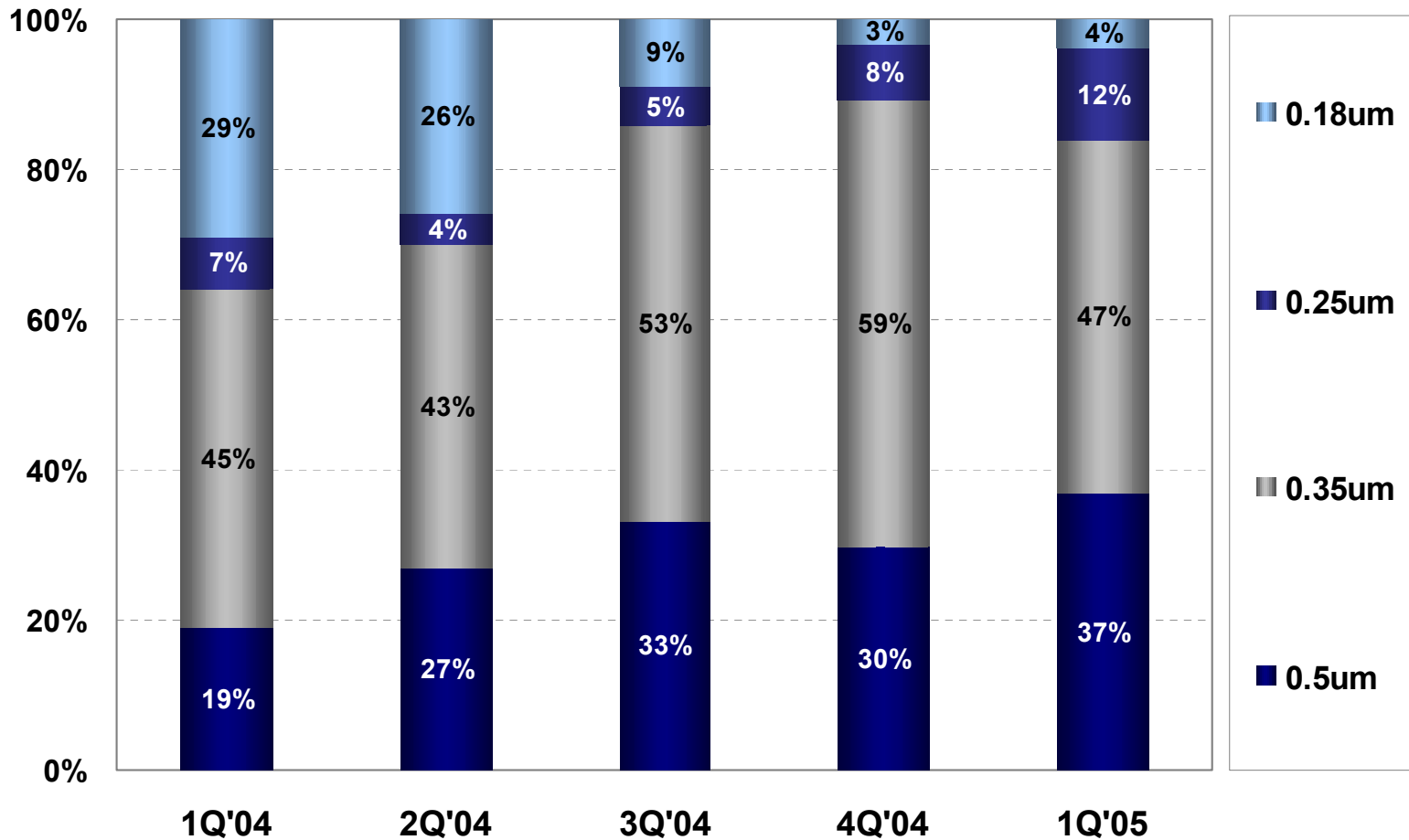
# Utilization & Wafer Shipment

Wafer Shipment ( 8" Equiv. Kpcs )

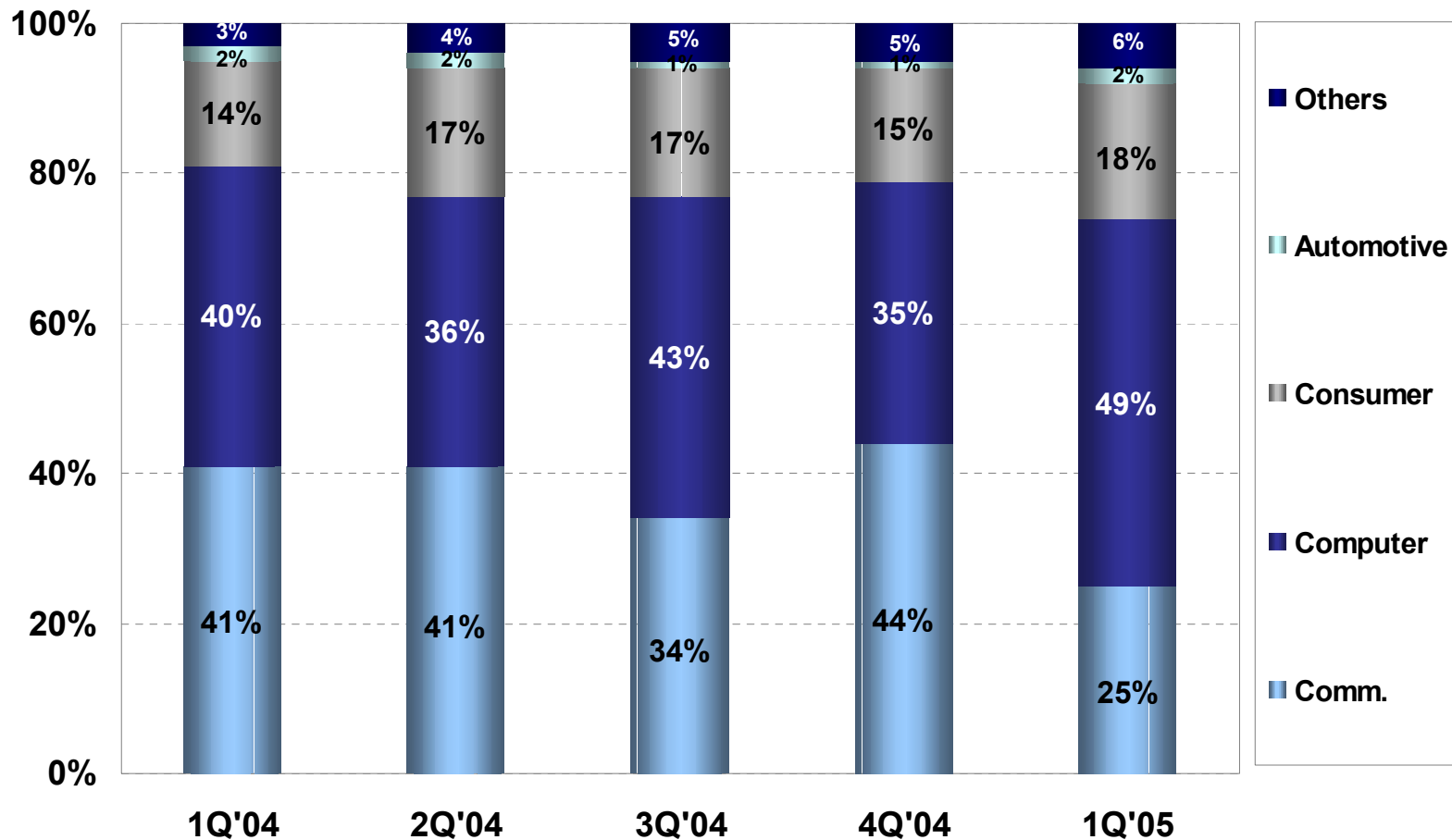
Utilization ( % )



# Sales Breakdown by Technology



# Sales Breakdown by Application



# Remarks

**Paul Chien**  
**Chairman & President**



# 2Q 2005 Guidance

- Wafer shipment to increase by about 20% q-o-q;
- Fab utilization rate to be about 75%;
- Gross margin to be in the range of 25% - 27%;
- Blended ASP to decline by a low single digit percentage point q-o-q.



# Q & A



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