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VIS Reports 2017 Fourth Quarter Results

Fourth Quarter 2017 Overview:

- Revenue decreased about 0.4% QoQ to NT\$6,375 million
- Gross profit margin was around 33.9%, operating profit margin was around 23.4%
- Net income of NT\$1,217 million
- Diluted earning per share was NT\$0.74

Hsinchu, Taiwan, February 8th, 2018 – Vanguard International Semiconductor Corporation today announced consolidated revenue of NT\$ 6,375 million, net income of NT\$1,217 million, and net earnings per share of NT\$0.74 for the fourth quarter ended December 31, 2017.

On a sequential basis, due to stable wafer demand from customers, fourth quarter revenue minor decreased around 0.4% to NT\$6,375 million, from NT\$6,400 million in previous quarter. Net income in 4Q17 was NT\$1,217 million compared to NT\$1,158 million in 3Q17. Gross profit margin was around 33.9%, and Operating profit margin was around 23.4%. The results were in line with our guidance given on November 7th, 2017.

VIS spokesperson Mr. D.L. Tseng said, “Looking forward, we anticipate a stable wafer demand from customers, for the first quarter, Revenue to be between NT\$6.2 billion and NT\$6.6 billion, Gross profit margin to be between 31% and 33%, and Operating profit margin to be between 20% and 22%.”

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)	4Q17	3Q17	4Q16
Net Revenue	6,375	6,400	6,596
Cost of Revenue	(4,211)	(4,363)	(4,371)
Gross Profit	2,164	2,037	2,226
Gross Profit Margin (%)	33.9%	31.8%	33.7%
Total Operating Exp.	(671)	(696)	(805)
G&A	(242)	(230)	(261)
Sales & Marketing	(65)	(78)	(71)
R&D	(364)	(388)	(473)
Operating Income	1,493	1,341	1,421
Operating Profit Margin (%)	23.4%	21.0%	21.5%

As stable customer demand, revenue minor decreased around 0.4% to NT\$6,375 million sequentially. Gross profit up from NT\$2,037 million to NT\$2,164 million in 4Q17. And gross profit margin increased from 31.8% to 33.9% sequentially.

Operating expenses for 4Q17 was NT\$671 million, decreased from NT\$696 million in previous quarter.

Operating income for 4Q17 was NT\$1,493 million represented 23.4% of net sales.

II. Non-Operating Items:

(In NT\$ million)	4Q17	3Q17	4Q16
Net Non-operating (Loss) Income	(29)	65	150
Investment Loss	(25)	(12)	(21)
Net Other Non-operating (Loss) Income	(5)	77	171

Net non-operating loss was NT\$29 million in 4Q17, mainly resulted by loss from FX and investment.



III. Financial Condition Review

(In NT\$ million)	4Q17	3Q17	4Q16
Cash & Financial Instruments	16,766	16,088	19,154
Accounts Receivable	4,073	4,057	3,962
Inventories	2,791	2,519	2,200
Total Current Assets	23,994	23,043	25,663
Notes and Accounts Payable	1,310	1,205	1,130
Accrued Liabilities and Others	4,188	3,822	4,346
Total Current Liabilities	5,498	5,027	5,477
Current Ratio	436%	458%	469%
Net Working Capital	18,495	18,016	20,186
A/R Turnover Days	59	59	50
Inventory Turnover Days	54	51	48

At the end of 4Q17, VIS has NT\$16,766 million cash & financial instruments, up NT\$678 million sequentially. Accounts Receivable minor increased to NT\$4,073 million. Inventories increased to NT\$2,791 million. VIS ended the quarter with NT\$23,994 million in total current assets, compared to NT\$23,043 million at the end of the previous quarter, increased NT\$951 million sequentially.

Total current liabilities increased NT\$471 million to NT\$5,498 million at the end of 4Q17. As a result, net working capital increased to NT\$18,495 million in 4Q17, up NT\$479 million sequentially, with a current ratio of 436%. A/R turnover days maintained 59 days, and inventory turnover days increased 3 days to 54 days sequentially.

IV. Cash Flow

(In NT\$ million)	4Q17	3Q17	4Q16
Cash - Begin of Period	15,079	18,931	16,083
Cash Flow from Operation	2,099	796	2,517
Cash Flow from Investment	(1,361)	241	(1,061)
Cash Flow from Financing	(1)	(4,886)	0
Net Cash Flow	738	(3,849)	1,455
Effect of Exchange Rate Change	(56)	(3)	27
Cash - End of Period	15,761	15,079	17,565

Cash inflow from operation increased NT\$1,303 million sequentially to NT\$2,099 million, mainly reflecting less income tax paid and payment of employee's compensation by 4Q17/E. The investment cash outflow was NT\$1,361 million, mainly reflecting increase in financial assets and CAPEX. The cash outflow of NT\$1 million from financing activities mainly reflected decrease in non-current liabilities. As a result, the net cash inflow was NT\$738 million in 4Q17, and VIS ended the quarter with a cash balance of NT\$15,761 million.



V. Revenue Analysis

Revenue Breakdown by Technology

By Technology	4Q17	3Q17	4Q16
0.5μ m	29%	27%	26%
0.35μ m	23%	21%	21%
0.25μ m	15%	16%	14%
<=0.18μ m	33%	36%	39%

Driven by increase customer demand in Power Management, 0.35 and 0.5um technology increased to 23% and 29% of total revenue respectively.

Revenue Breakdown by Application

By Application	4Q17	3Q17	4Q16
Computer	25%	27%	29%
Communication	10%	11%	20%
Consumer	27%	25%	21%
Others	38%	37%	30%

As soft wafer demand for Smartphone and IT panel products, revenue from Computer and Communication applications decreased to 25% and 10% of total revenue respectively.

Revenue Breakdown by Platform

By Platform	4Q17	3Q17	4Q16
Driver IC (Large)	27%	31%	31%
Driver IC (Small)	11%	13%	19%
Power Management	54%	49%	43%
Others	8%	7%	7%

Due to customer demand increased in Mosfet, LED driver IC and Sensor IC, revenue from Power Management and Others platforms increased to 54% and 8% of total revenue respectively.

VI. Wafer Shipments

Wafer Shipments

	4Q17	3Q17	2Q17	1Q17	4Q16
Wafer Shipments (Kpcs)	541	541	496	507	525

Wafer shipments maintained 541 thousands 8-inch wafers in 4Q17, flat QoQ.