Leading
Global Communications

win | SEMICONDUCTORS

WIN Semiconductors

Wireless • Information • Networking

Company Presentation

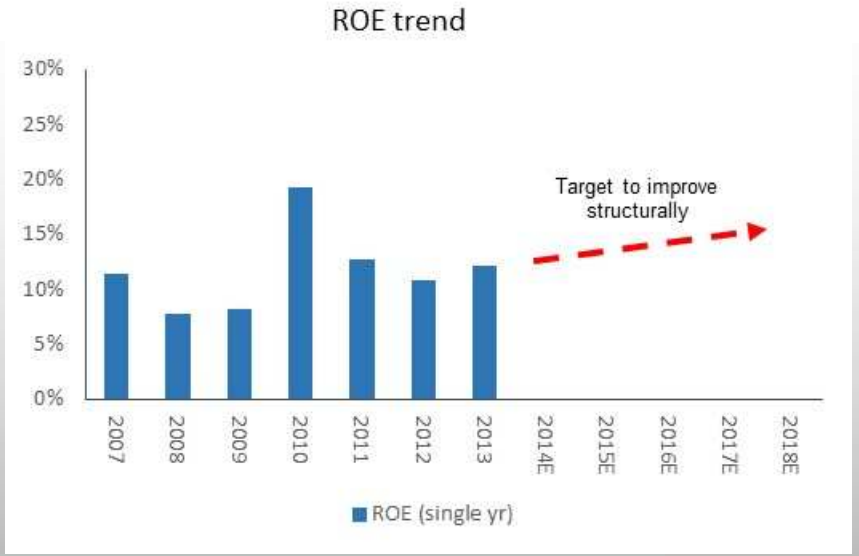
January 2015

Safe Harbor Notice

- *This presentation contains certain forward-looking statements that are based on current business 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.*
- *Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.*

A WINer on the Big Data Trend

- **Our goal.** We see the global mobile data demand as rising structurally to spur demand for GaAs content per box. Growing with this Big Data trend, we aim to achieve over 15% earnings CAGR in the next 3-5 years with a structural ROE improvement.
- **How to get there?**
  - **Demand growth.** We expect the GaAs semiconductor foundry market to enjoy a solid growth in the next 3-5 years, driven by: mobile data, 4G/LTE, IoT and IDM outsourcing.
  - **Margin expansion.** We expect profit margins to expand structurally on the back of manufacture efficiency and product mix improvement, helping lift our structural ROE.



Our Vision

- At WIN, we believe industry leadership is achieved by applying management best practice on a daily basis over the course of several industry cycles. Only through consistent adherence to management discipline can industry dominance be won.
- We continually strive to diversify our revenue base, develop new technologies and improve manufacturing efficiency & cost competitiveness.
- We believe that balance sheet strength is a powerful tool that aids us in increasing market share through the highs and lows of industry cycles.
- We seek to use all tools at our disposal to enhance shareholder returns, including share buyback, cashflow maximization and cash dividend payouts.

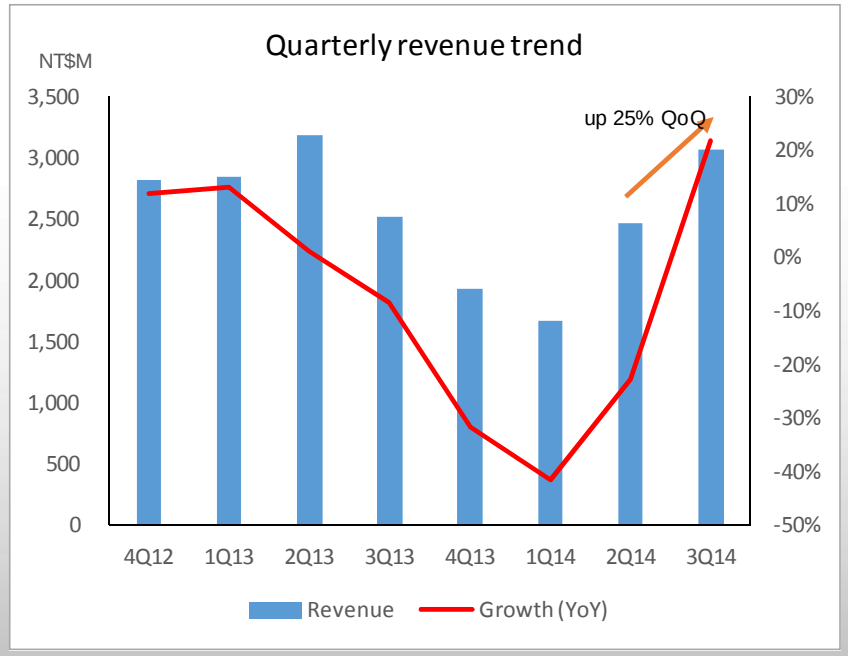
Outline

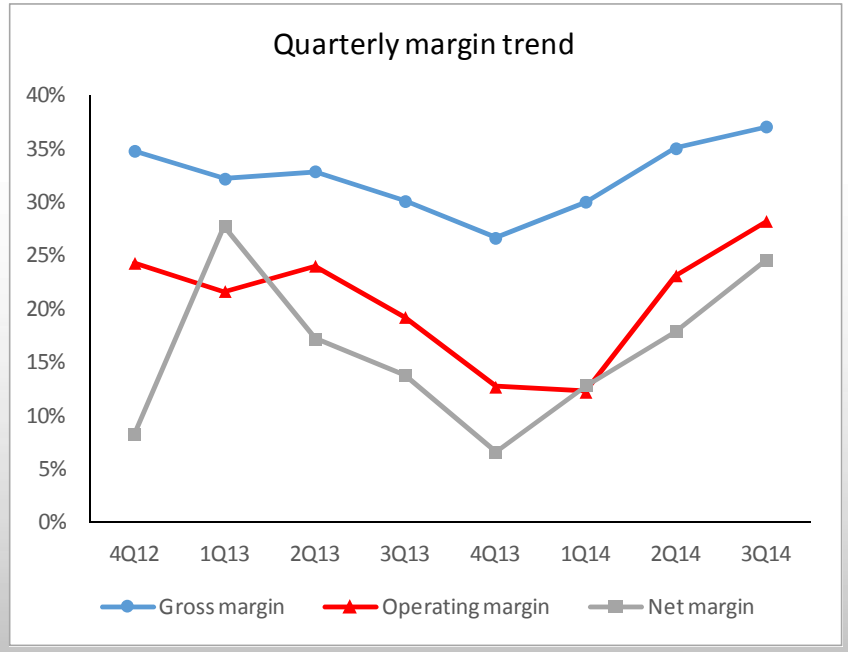
- ✓ Financial Review and Outlook
- ✓ Market Outlook
- ✓ The WIN Strategy
- ✓ Q&A

Financial Review and Outlook

Results Review

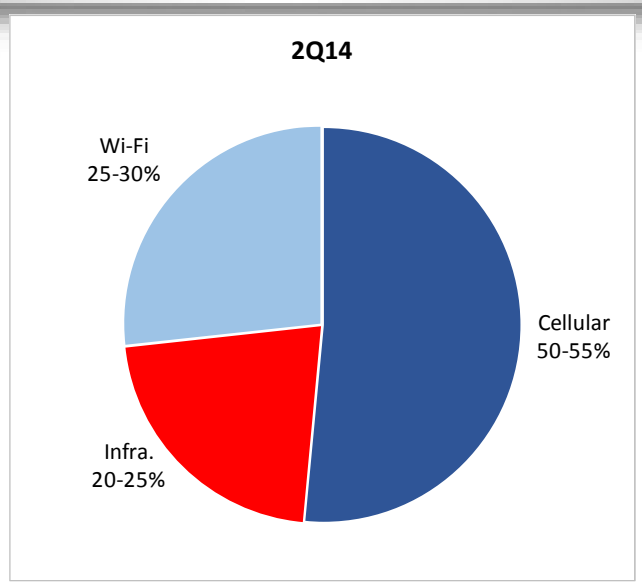
- 3Q14 revenue continued strong recovery of 25% QoQ thanks to customers' strong inventory pull.
- GM/OPM improved 2.0pp/5.1pp respectively to record high of 37.0%/28.2% on the back of top-line recovery and our continued improvements in efficiencies.

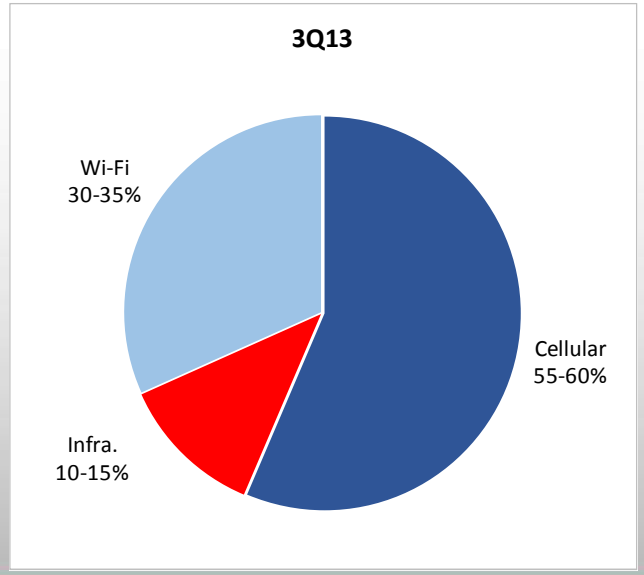


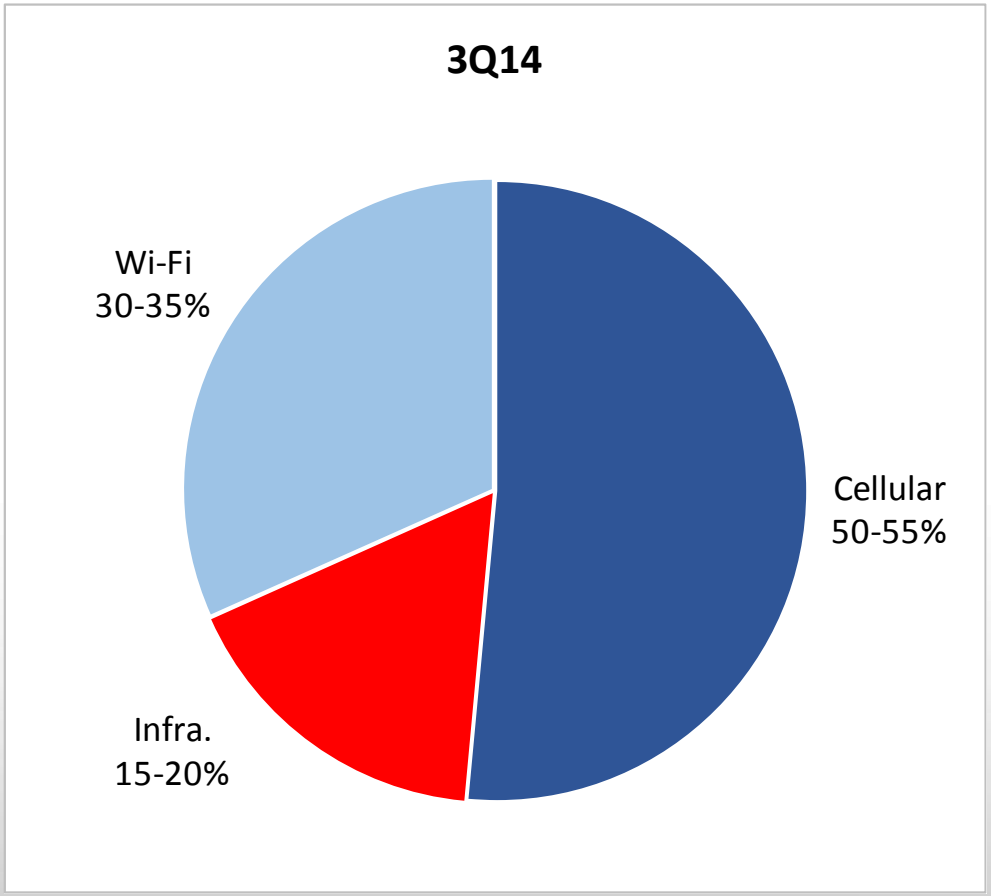


Source: company.

Product Mix Trend



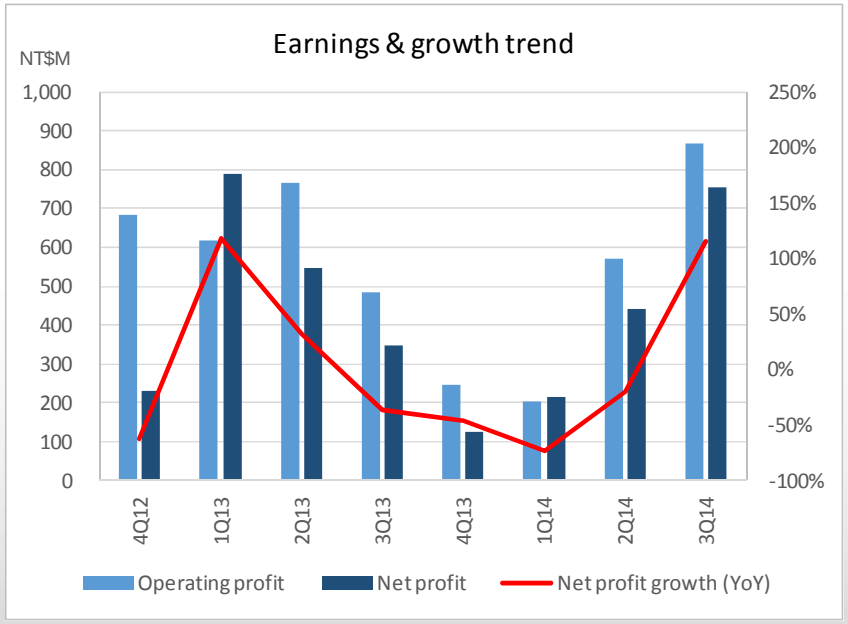


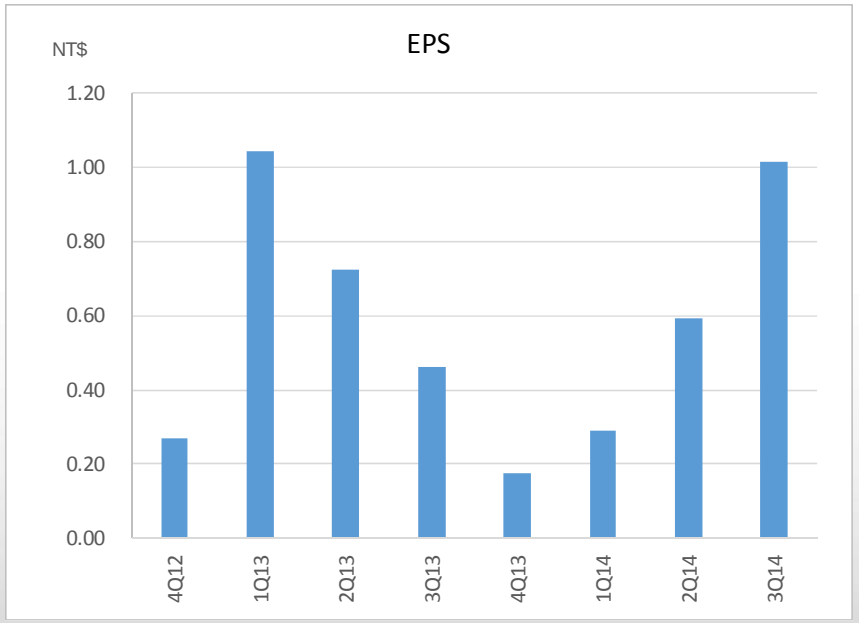


Source: company.

Earnings & Growth Trend

- Net profit for 3Q14 rose 71% QoQ to NT$753 million, with YoY growth further improving to 116%.
- EPS for 3Q14 was NT$1.02, up 73% from NT$0.59 in 2Q14.

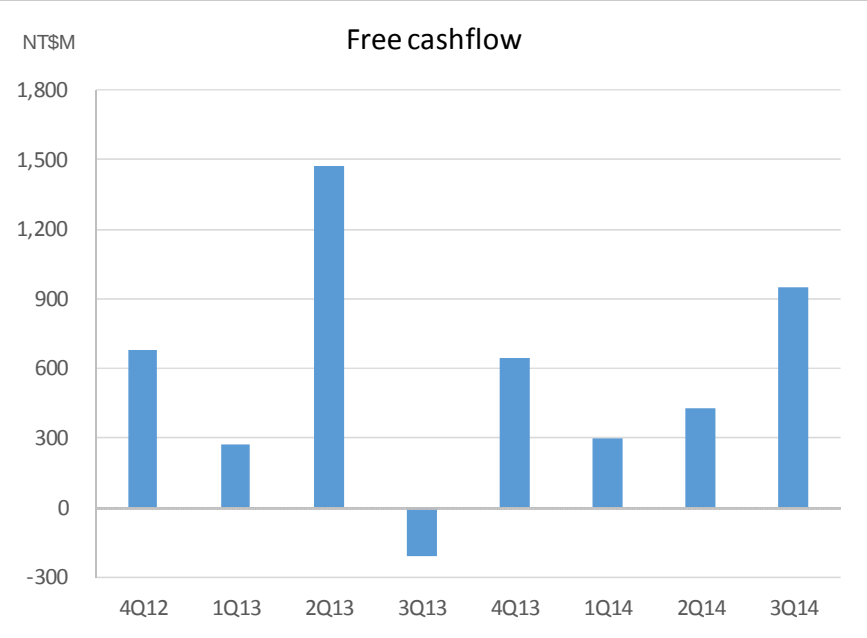


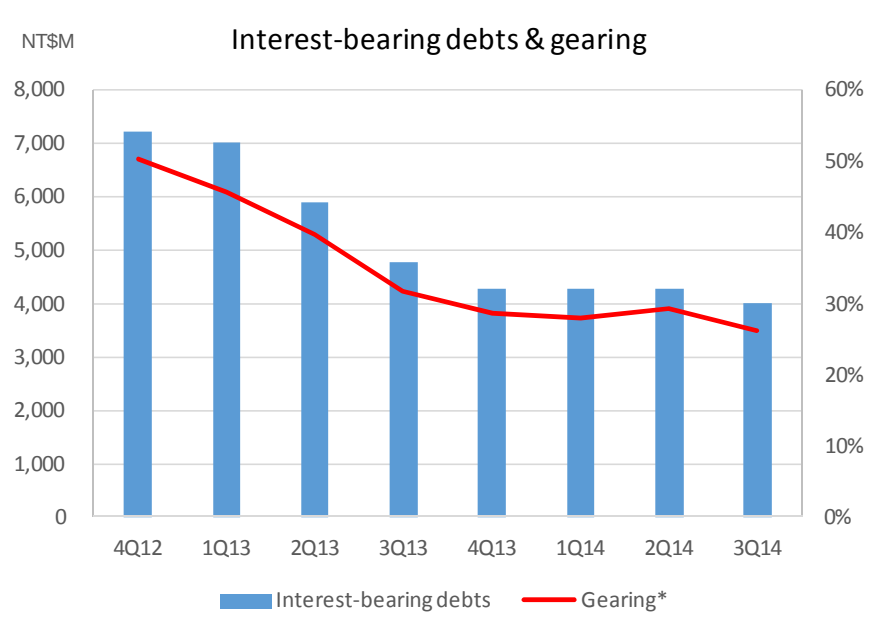


Source: company.

FCF & Gearing Trend

- Free cashflow (FCF) continued to be positive for the past 4 quarters as a result of our rigid control on capex and improvements in efficiency.
- Interest-bearing debts fell below NT$4bn and gearings declined to historical low since listing, indicating our solid balance sheet position.





* Gearing = interest-bearing debts / equity
Source: company.

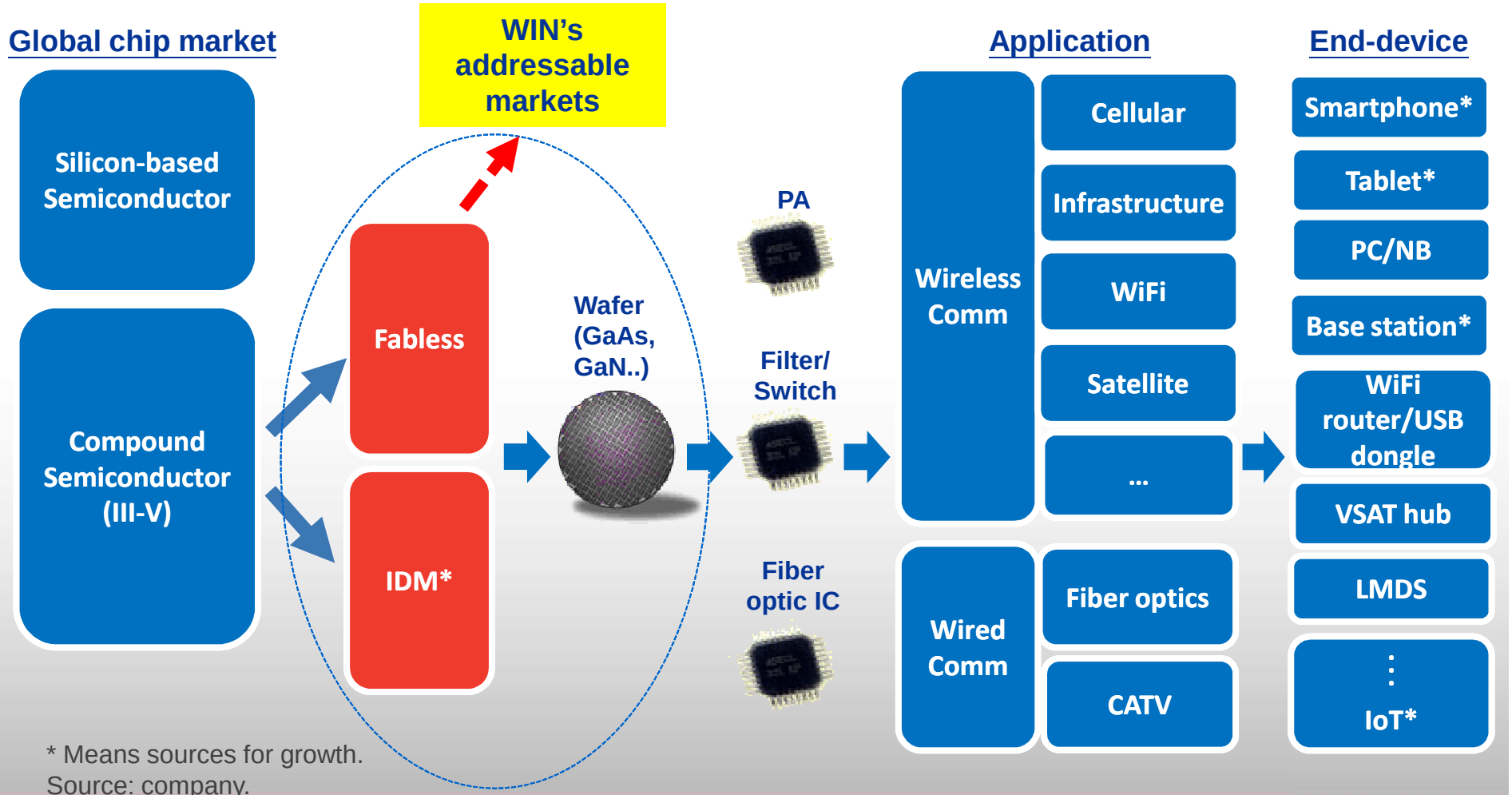
4Q14 / 1Q15 Outlook & Guidance

- Demand remained healthy in 4Q14 with total revenues of NT$2.7bn, down 12% QoQ, up 41% YoY.
- Ongoing and consistent efforts in product diversification should support 4Q14 gross margins to come in no lower than 2Q14.
- We expect 1Q15 to be a good start of another growth year with a low-teen QoQ decline in revenue on top of a very strong base in 4Q14.

Market Outlook

WIN's Market Positioning

- WIN positions itself as a dedicated compound semiconductor wafer foundry offering foundry works to fabless and IDM customers who target in communication applications.



* Means sources for growth.
Source: company.

Growth Drivers

(1) Rising demand for mobile data

(2) 4G/LTE lifting band count per device

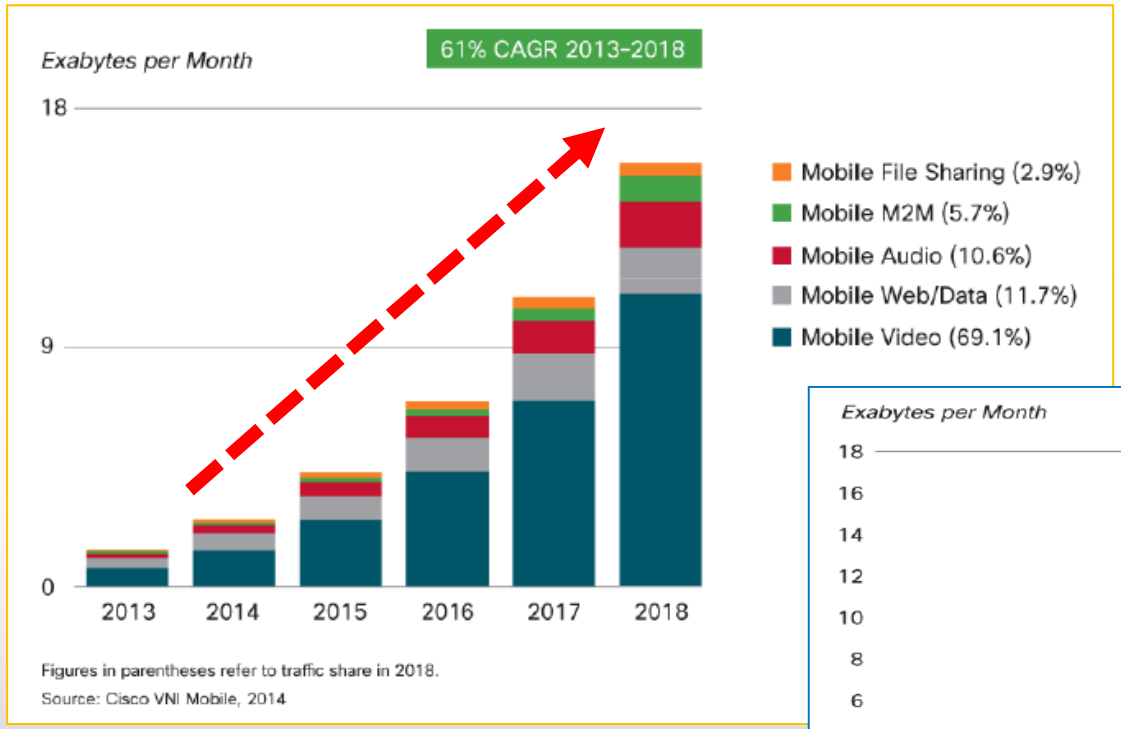
(3) IoT further driving demand potential

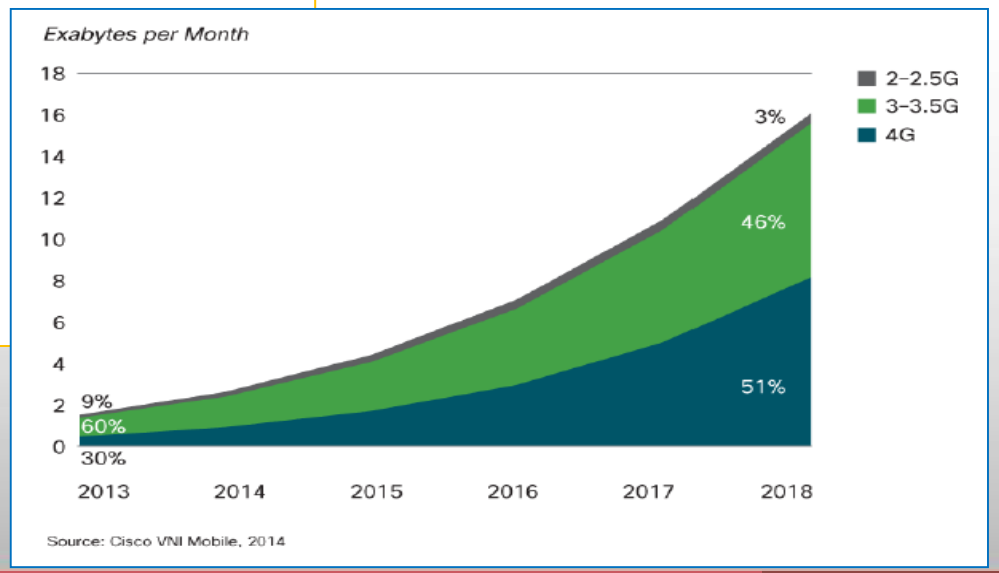
(4) IDM outsourcing adding to growth upside

Source: company.

Rising Demand for Mobile Data

- Thanks to the constant bandwidth upgrades driven by mobile devices and 4G/LTE, demand for mobile data is rising rapidly where mobile video consumes the most bandwidth and grows the fastest for mobile data (the Big Data trend).

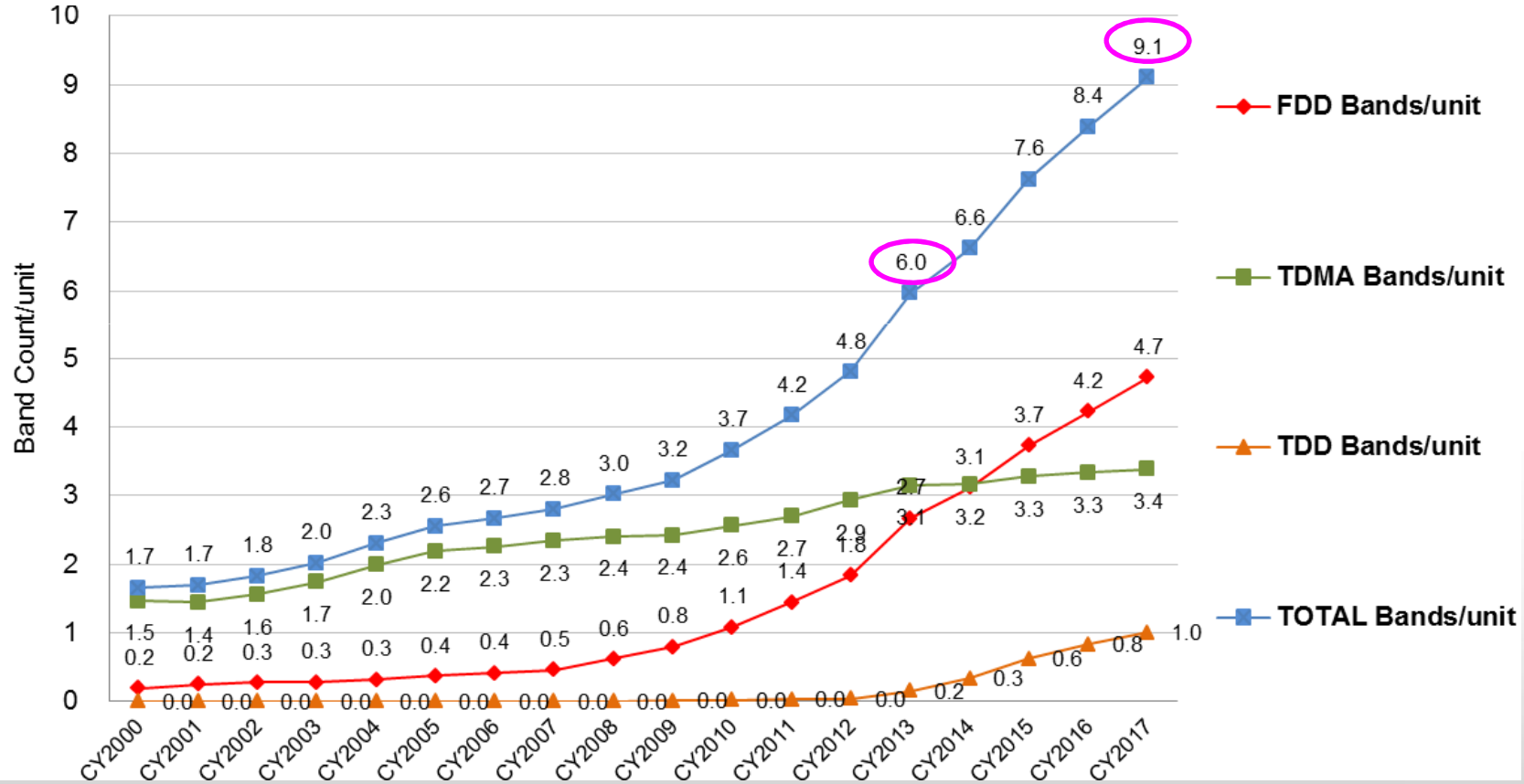




Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2013–2018
Feb 2014

4G/LTE Lifting Band Count per Device

- Frequency bands per mobile handset device are rising rapidly due to 4G/LTE.



Note: TDD and FDD are two competing LTE data transmission standards

Source : Navian, Oct 2013

Example of Band-count Rise Driven by LTE

iPhone 4S: No LTE bands

iPhone 5: LTE bands 1, 3, 4, 5, 13, 17, 25 (7 bands)

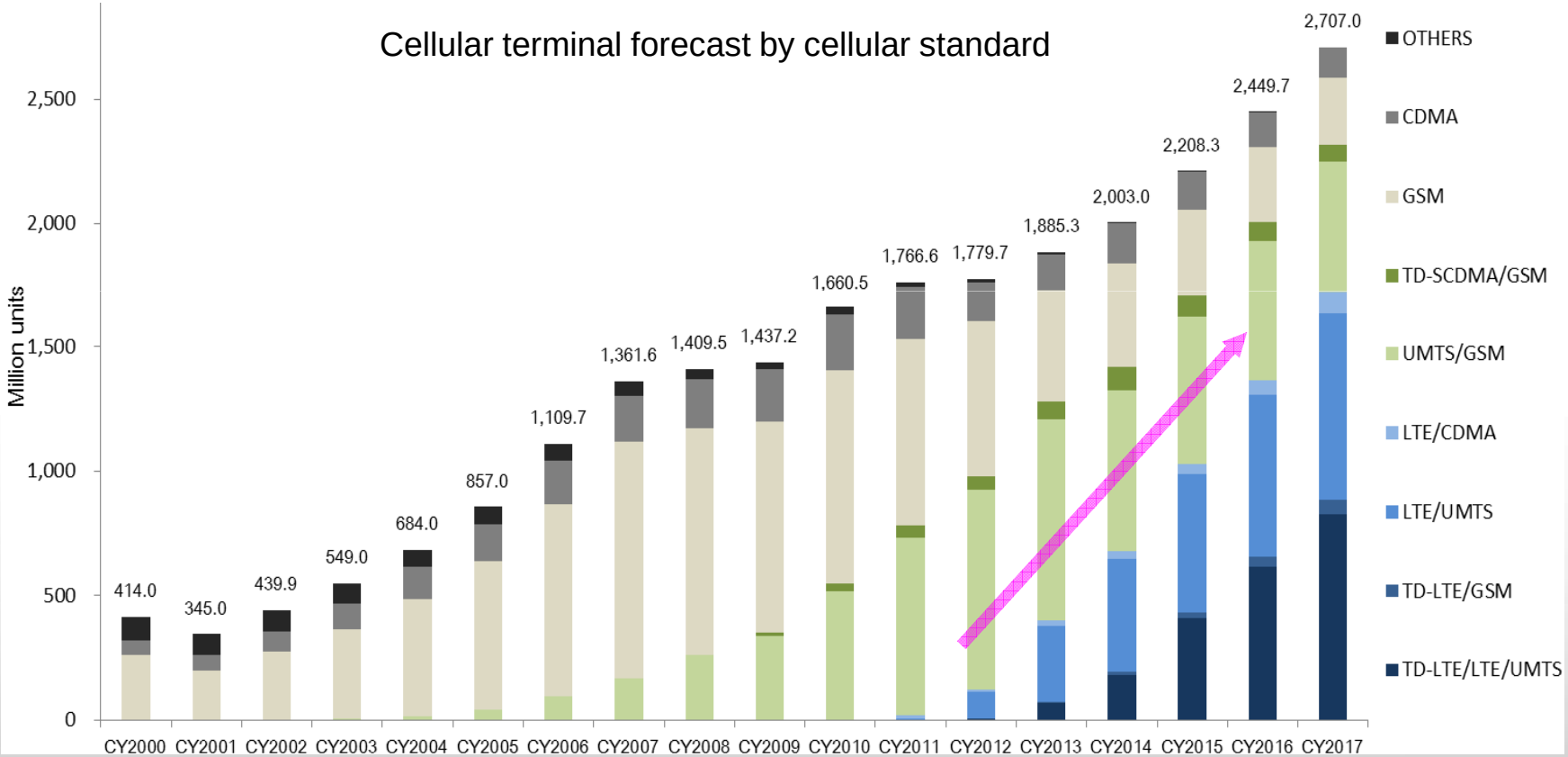
iPhone 5s/5c: LTE bands 1, 2, 3, 4, 5, 7, 8, 13, 17, 18, 19, 20, 25, 26 (14 bands)
TD-LTE bands 38, 39, 40 (3 bands)

iPhone 6: LTE bands 1, 2, 3, 4, 5, 7, 8, 13, 17, 18, 19, 20, 25, 26, 28, 29 (16 bands)
TD-LTE bands 38, 39, 40, 41 (4 bands)

Source: company.

LTE Penetration on Track to Rise

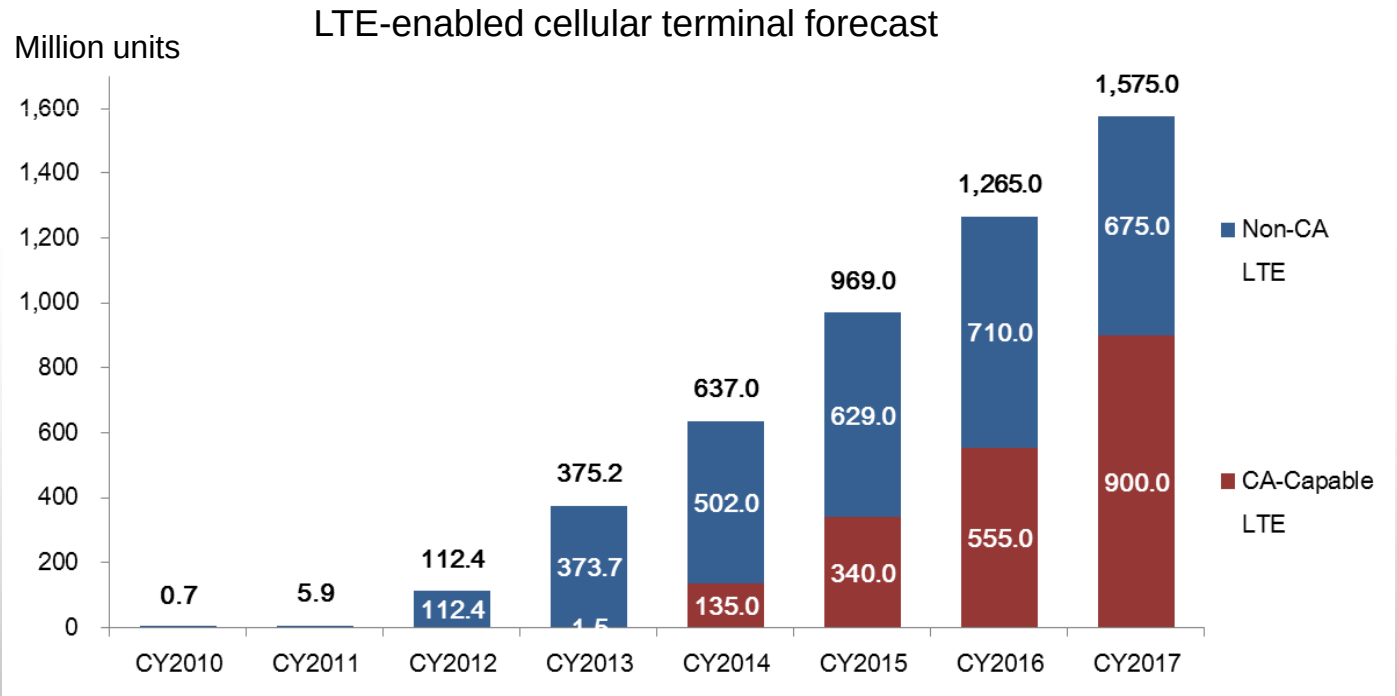
- The 4G/LTE penetration is projected to reach 64% in 2017, from 21% in 2013, representing a strong 44% CAGR over 2013-17 (c.-10% CAGR for 2G+3G).



Source : Navian, Oct 2013

CA guarding demand for GaAs

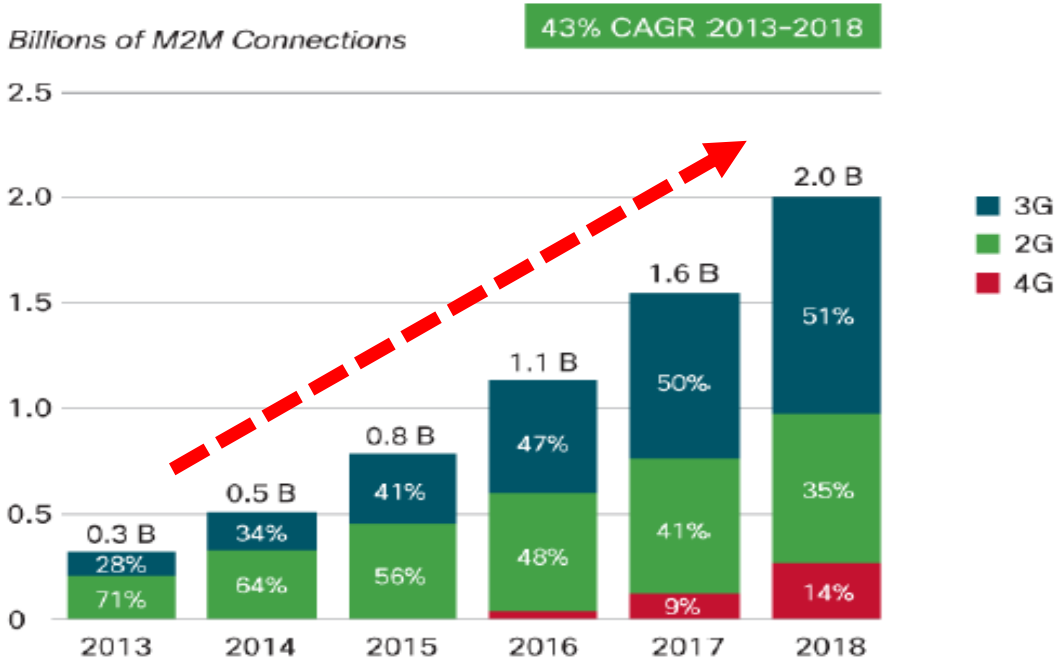
- Carrier aggregation (CA) driven by LTE-A should guard the need for GaAs PAs rather than any silicon-based solutions, since GaAs PAs have unparalleled advantages on linearity and efficiency.
- Devices that support CA are expected to grow to 900M units in 2017 from 1.5M in 2013, representing the key driver to the overall LTE device growth.



Source : Navian, Oct 2013

IoT Further Driving Demand Potential

- The internet of things (IoT) is made up of machine-to-machine (M2M) connections that occur over the internet.
- In 2013, there were only 300M such M2M connections which are projected to grow to 2B units by 2018, or a high 43% CAGR.
- One intriguing IoT application is wearable devices with embedded WiFi connectivity.

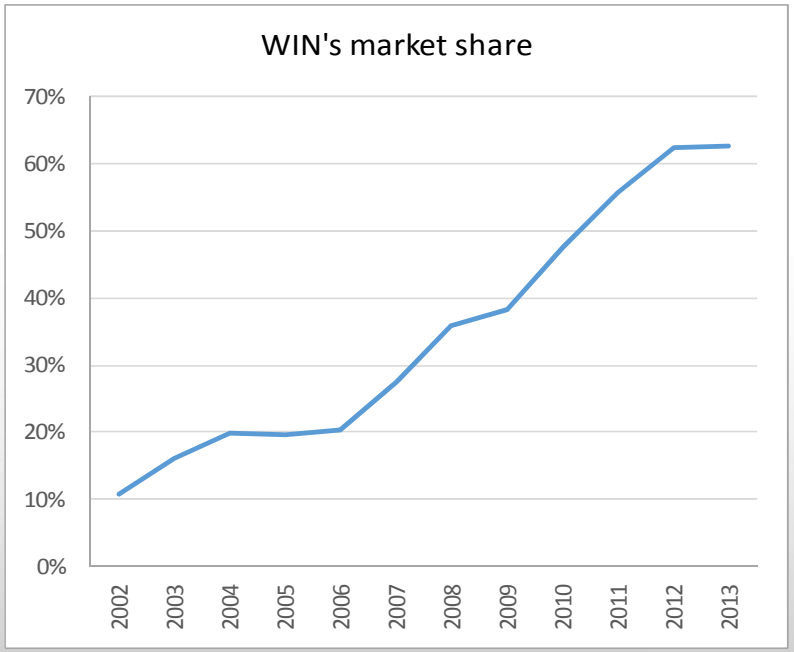


In 2013, 4G accounted for 0.43 percent of global mobile M2M connections. By 2014, it will reach 1.5 percent of connections, by 2015, 3 percent of connections, and by 2016, 5.6 percent of connections will be 4G.

Source: Cisco VNI Mobile, 2014

IDM Outsourcing Adding to Upside

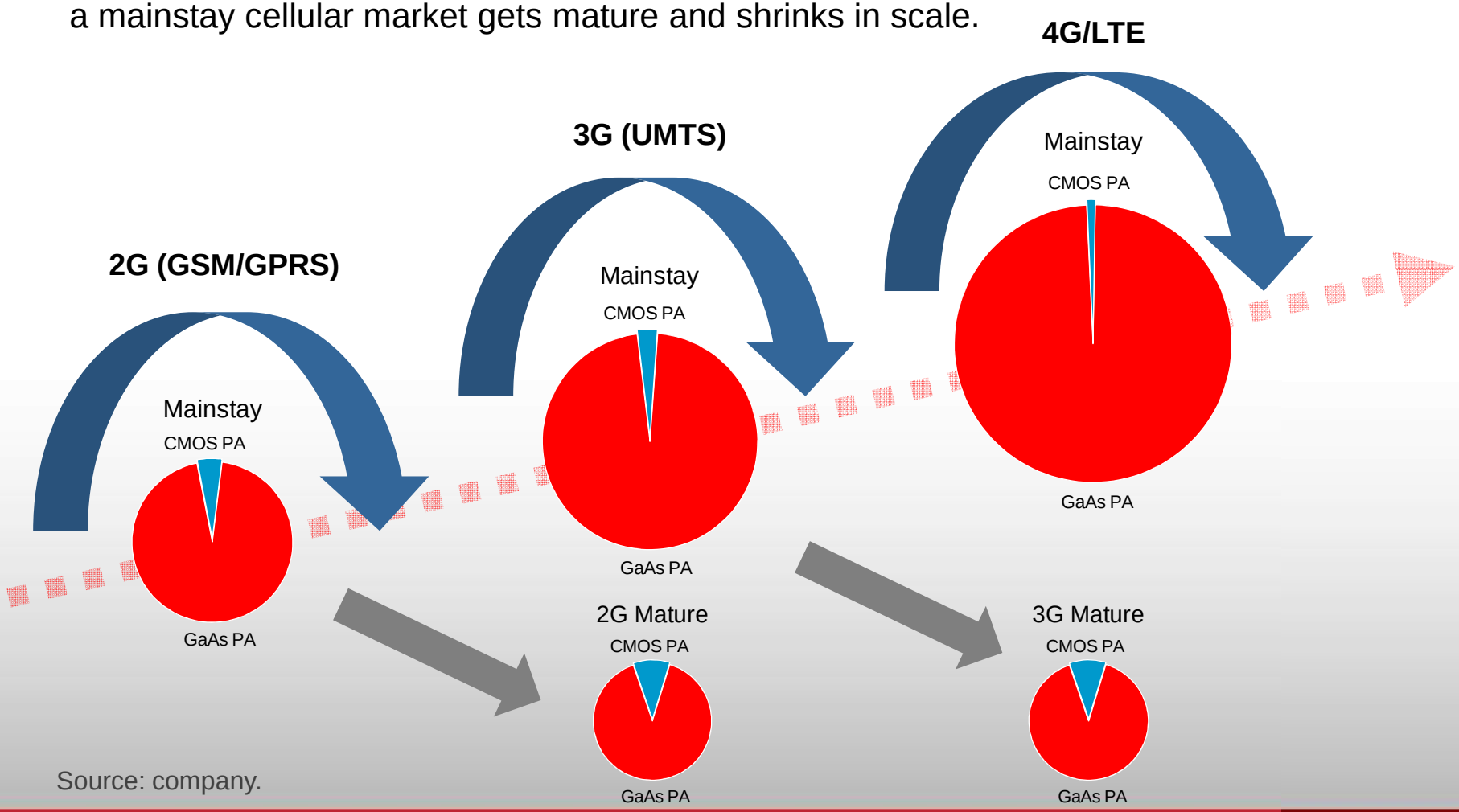
- Similar to the trend in the silicon-based foundry market, the global GaAs semiconductor IDMs have strategically transformed their business models into fab-lite or fabless, evidenced by the rising trend in the GaAs foundry market share in 2000s.
- The GaAs foundry share in the GaAs semiconductor device market hovered around the 30% level in recent years, indicating room for non-organic demand potential from IDM outsourcing.



* Market share is calculated by multiplying the GaAs foundry revenue by a 3x markup (from die to device).
Source: Strategy Analytics, company.

RF CMOS – Substitute or Coexist?

- We don't see the silicon-based RF CMOS as a threat of substitution to GaAs PA. Instead, we see CMOS PA as a coexisting alternative and growing its impact to GaAs PA only when a mainstay cellular market gets mature and shrinks in scale.



Source: company.

The WIN Strategy

Invest in capacity to capture demand growth and improve margins through product remix

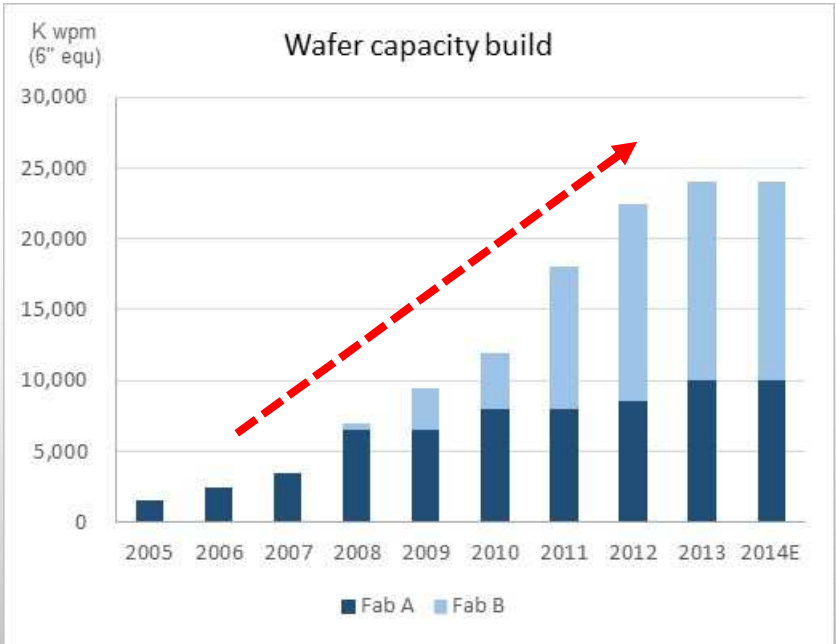
Invest in technologies to maintain competitive edge and sustain leadership

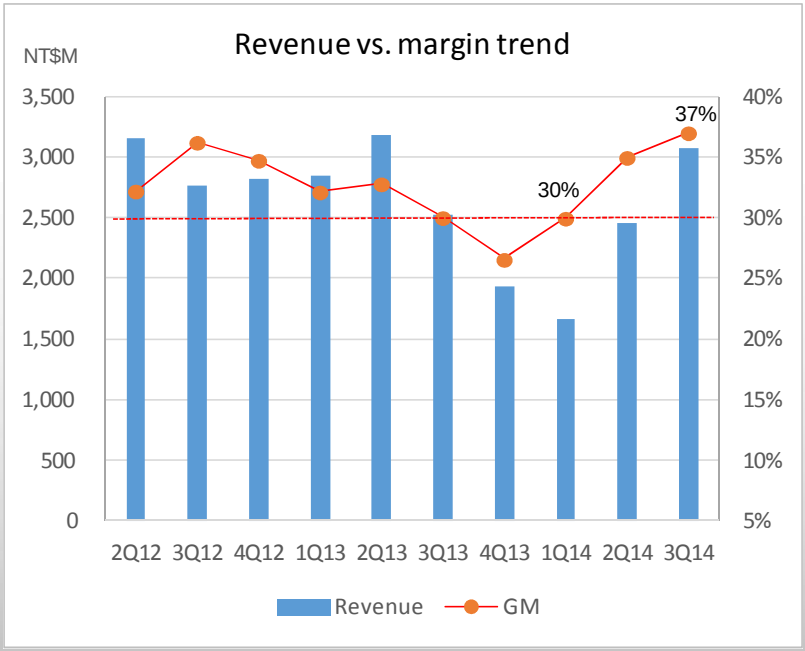
Leverage on technology and manufacture expertise to lift efficiency and drive cost down

Grow and acquire new customers in existing and new markets to diversify customer base

Scale & Remix

- Despite a slowdown in late 2013, our long-term expansion remains intact to capture the fast-growing demand market. Our new fab construction was complete recently and ready for future expansion any time.
- Our strategy of structurally enhancing margins through efficiency improvement and product remix is bearing fruits, evidenced by our GM expansion to record high in 3Q14.

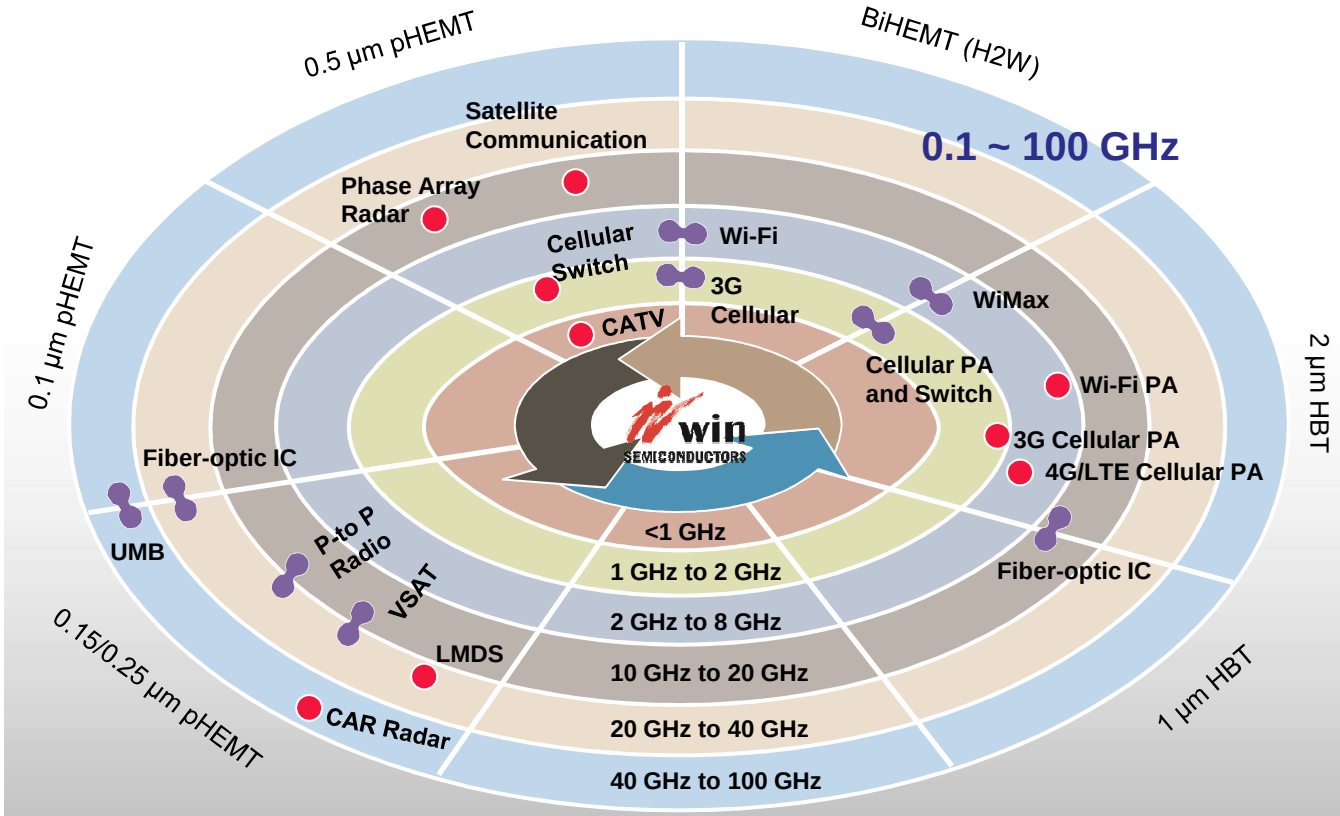




Source: company.

Technology Leadership

- We offer the most comprehensive technology portfolio in the industry to enable our customers developing optimized products for a wide range of applications.

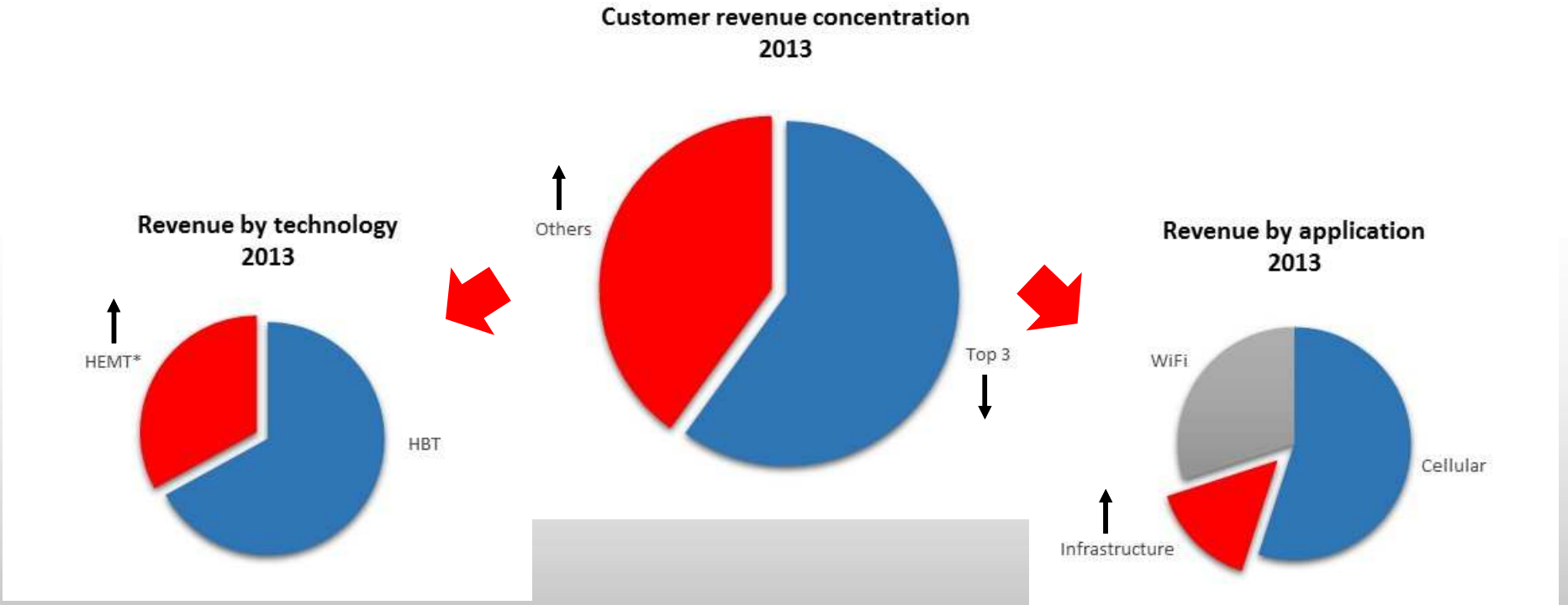


- ☑ Dominant market share for high-performance HBT used in LTE PAs
- ☑ First and only foundry worldwide to commercially develop 0.1µm pHEMT on 6" GaAs wafer
- ☑ Industry leading 0.15–0.25µm pHEMT technology
- ☑ Leading BiHEMT technology for advanced integrated PA/switch chips
- ☑ Supports broad range of products such as PAs (from 0.1–100GHz), switches, and fiber optic IC
- ☑ Developing GaN for high power devices (4G base station)

Source: company.

Customer Diversification

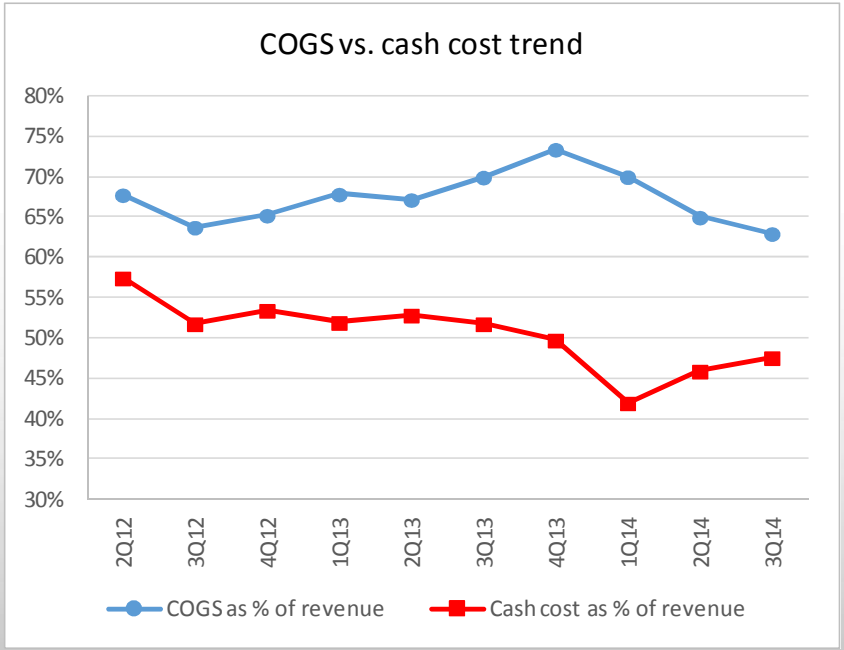
- Top 3 customers contribute over 1/2 of WIN Semi's revenues with major technology focus on HBT and application focus on cellular and WiFi.
- We aim to diversify into the higher-margin HEMT with focused applications of infrastructure including base stations.

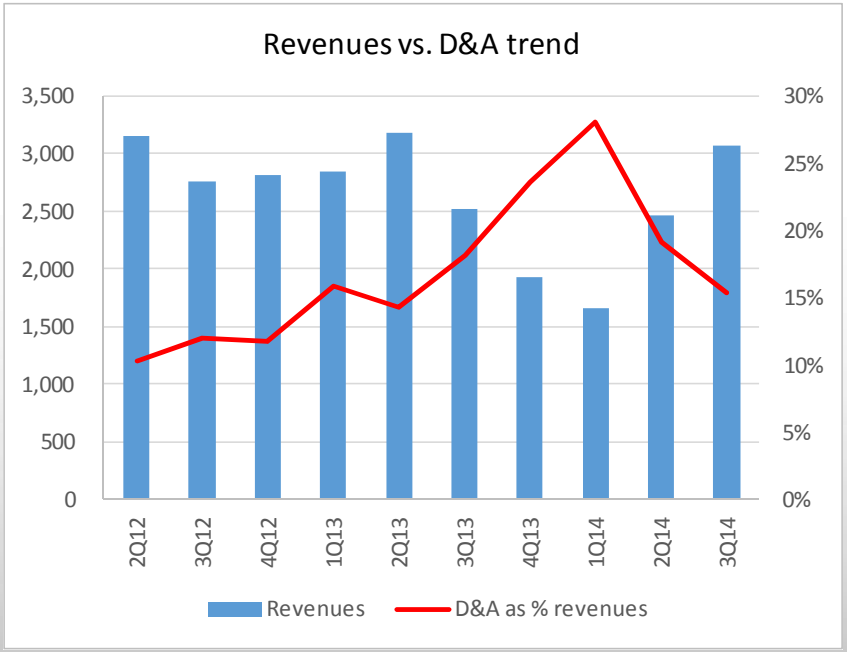


* HEMT includes pHEMT and BiHEMT
Source: company.

Cost & Efficiency

- COGS as a % of revenue declined from 4Q13 thanks to demand recovery as well as product mix improvement. Our cash costs (COGS ex-D&A) as a % of revenues has declined over the cycle.
- This highlights our efforts on constantly improving manufacture efficiencies to lower cash costs per unit, on top of the operational-leverage swing-effect.





Source: company.

Q & A

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