



Leading
Global Communications
SEMICONDUCTORS



WIN Semiconductors

Wireless • Information • Networking



Company Presentation

March 2014

Executive Summary



- At WIN Semi, 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 will aid us in increasing market share through the highs and lows of industry cycles.
- We will use all tools at our disposal to enhance shareholder returns, including share buybacks, cash flow maximization and cash dividend payouts.

Safe Harbor Notice



- This 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.
- 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.

Outline

- ✓ **2013 Summary & 2014 Outlook**
- ✓ **Industry Outlook**
- ✓ **The WIN Strategy**
- ✓ **Fiscal Highlights**
- ✓ **4Q13 Financial Results**
- ✓ **Q&A**

2013 Summary & 2014 Outlook

Summary – 4Q13 and Fiscal 2013 Results



- 4Q13 sales reached NT\$1.9bn, down 24% QoQ.
- 4Q13 net income was NT\$126m, down 50% QoQ.
- For all of fiscal 2013, sales were NT\$10.5 billion and EPS was NT\$2.40, up slightly over NT\$2.31 in 2012.
- Although 2013 was a challenging year, we continue to improve our industry-leading cost structure and are confident that our strategic R&D initiatives will strengthen our position as the world's top GaAs Foundry.

2013 Recap & 2014 Outlook



While we still face a challenging environment in 2014,
we are not likely to see a replay of the negative market surprises of 2013

Market Challenges in 2013

pHEMT Switch Replaced by Silicon

Accelerated Pace of MMPA Adoption

Slow Growth in High-End
Smartphone

Inventory Correction

Die-Shrink & ASP decline

Outlook for 2014

Less Impact from Silicon
Replacement of pHEMT Switch

Favorable LTE Impact More Evident

Return to Normal Seasonality

Non-Handset Revenues Growing

Diminishing Die-Shrink & ASP
pressure

Industry Outlook

Market Opportunities :

Growing Mobile Data Demand

Non-Handset Contribution Growing

IDM Outsourcing

Growth of Mid-to-Low End China Smartphones

LTE Driving More Bands Per Handset

LTE-A Carrier Aggregation

Beyond 4G LTE

Internet of Things - IoT

The WIN Strategy



Invest in capacity to capture market growth and maintain leadership

Scale

Technology

Invest in technology to maintain competitive edge and penetrate into new markets

Cost & Efficiency

Customers

Leverage on technology and manufacturing expertise for continuous cost & efficiency improvement

Grow and acquire new customer base in existing and new markets

A Shift in Strategic Focus

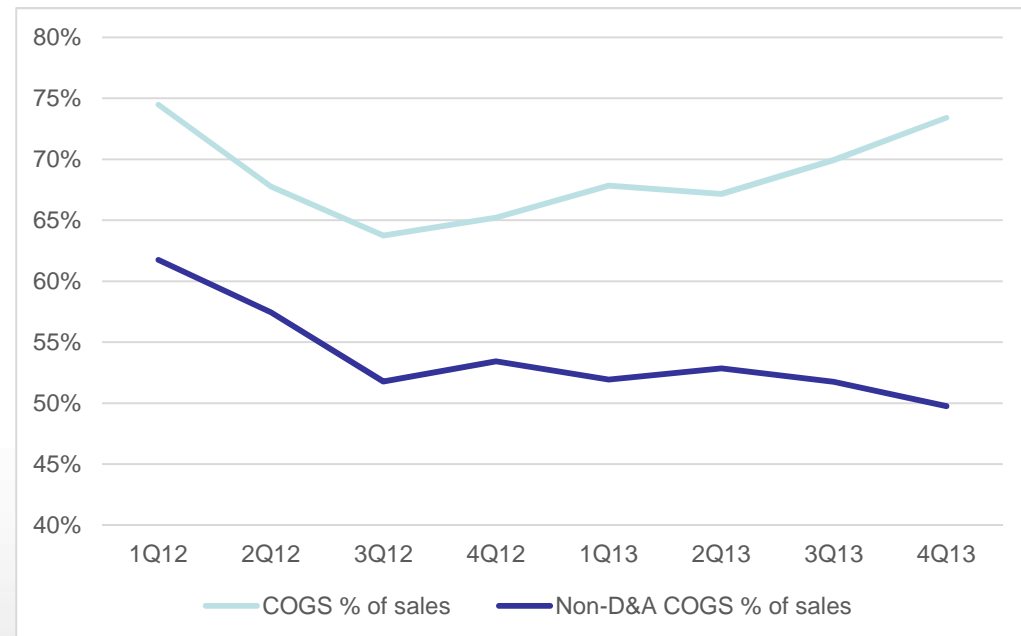


- As the industry changes, our strategy has evolved.
- At the end of 1H13, our capacity reached 24k wafers per month, giving us the largest manufacturing capacity amongst the world's GaAs Foundries.
- We have subsequently adjusted our focus away from capacity expansion and more towards technology leadership, development of high-margin products for non-handset applications, and continuous cost and efficiency improvement.
- Starting in 3Q13, we ceased expanding GaAs foundry capacity and began concentrating our investment dollars on facilities for the production of advanced technologies such as GaN.
- 2014 capex spending has been curtailed. We project that we will spend NT\$2.0bn or less this year, versus NT\$2.8bn in 2013 and NT\$3.3bn in 2012.
- We are also carefully managing our cash flow and balance sheet to enhance our ability to consolidate market share and maximize returns to shareholders.

Continuous Cost & Efficiency Improvement



- ❖ As sales declined in third and fourth quarter of 2013, COGS rose as a 3.4% of sales.
- ❖ However, most of this increase was due to depreciation cost increases brought on by capacity expansion.
- ❖ Cash costs have been consistently falling as a percent of sales for the past 2 years, as we raise our manufacturing efficiency.



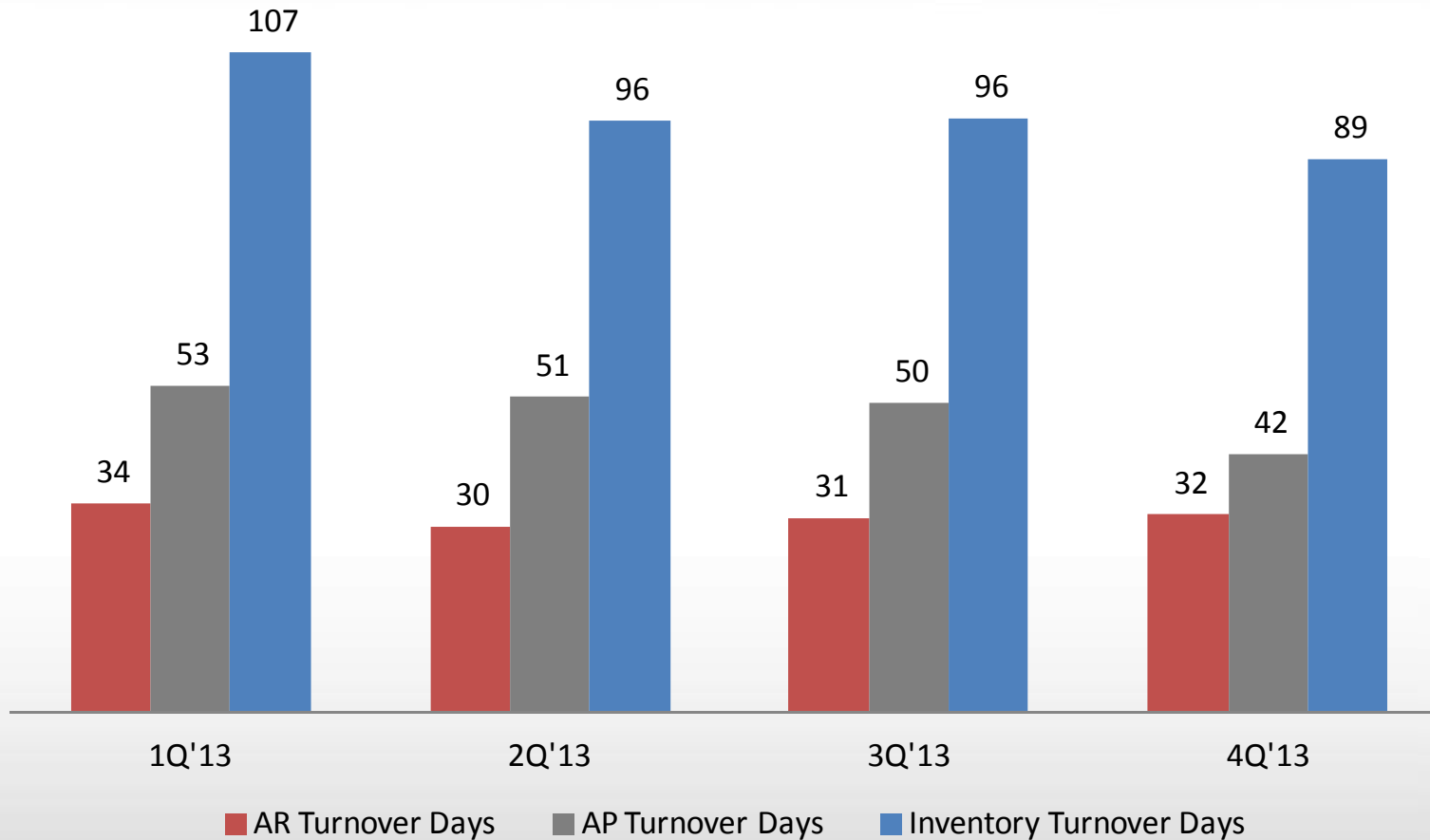
Fiscal Highlights

Prudent Fiscal Management



- Despite the difficult operating environment of 2013, our cash flow and balance sheet strength improved.
- We made steady reductions in working capital requirements each quarter.
- We applied cash inflows to debt reduction and the repurchase of treasury shares.
- On March 7, 2014 our BOD proposed an NT\$1.5/share cash dividend, which is subject to approval at our upcoming AGM. Based on WIN Semi's closing price on 13 March 2014, the yield is 5.6%.

Steady Reduction in Working Capital

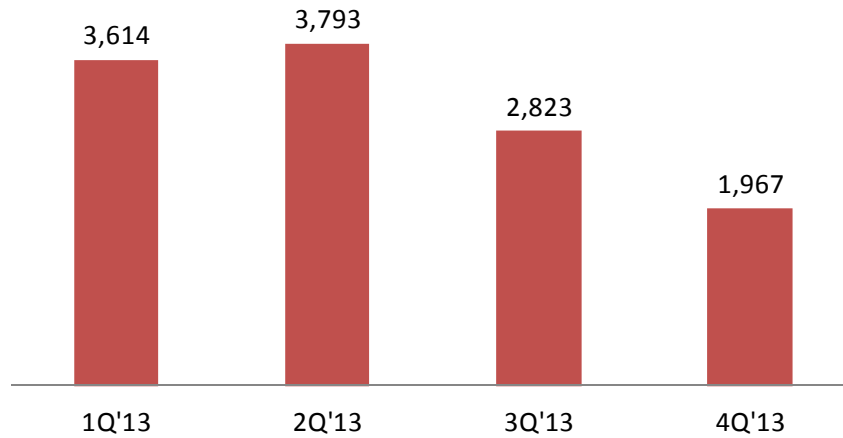


Note: AR Turnover Days = average AR / annualized net revenue*365
AP Turnover Days = average AP / annualized COGS*365
Inventory Turnover Days = average inventory / annualized COGS*365

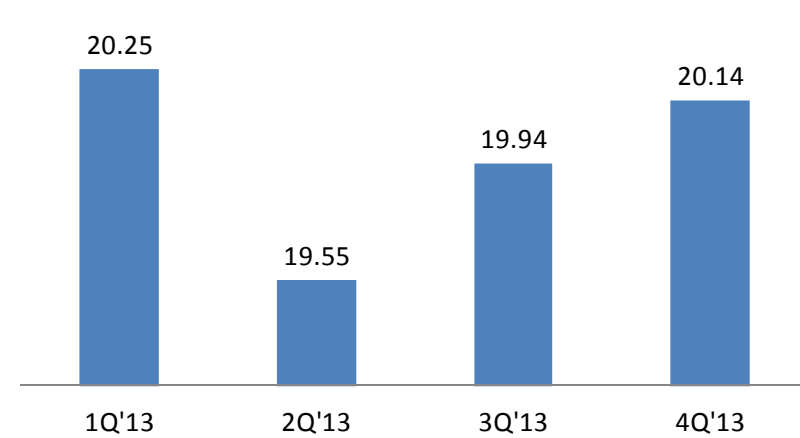
Enhanced Balance Sheet Health



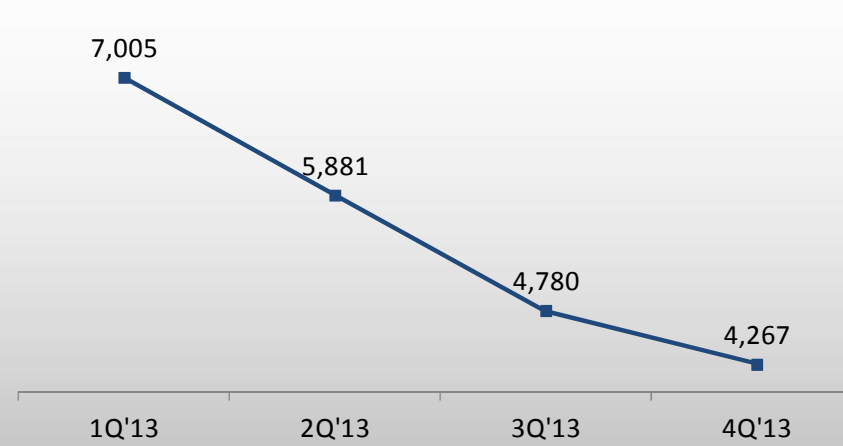
Cash and cash equivalents (NT\$M)



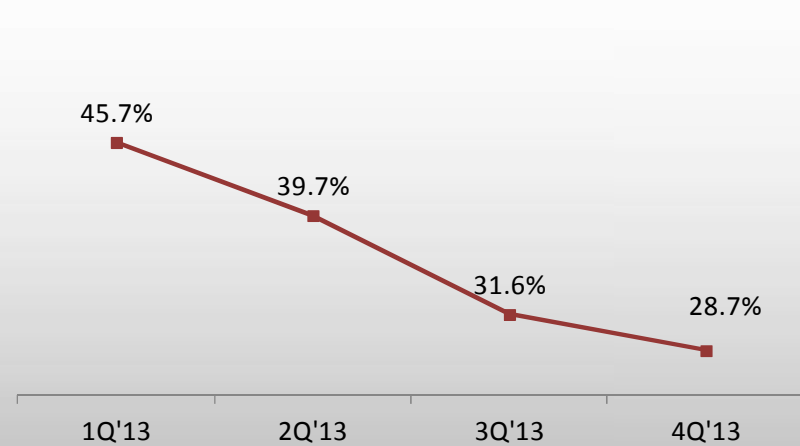
Book value per share (NT\$)



Interest-bearing debt (NT\$M)

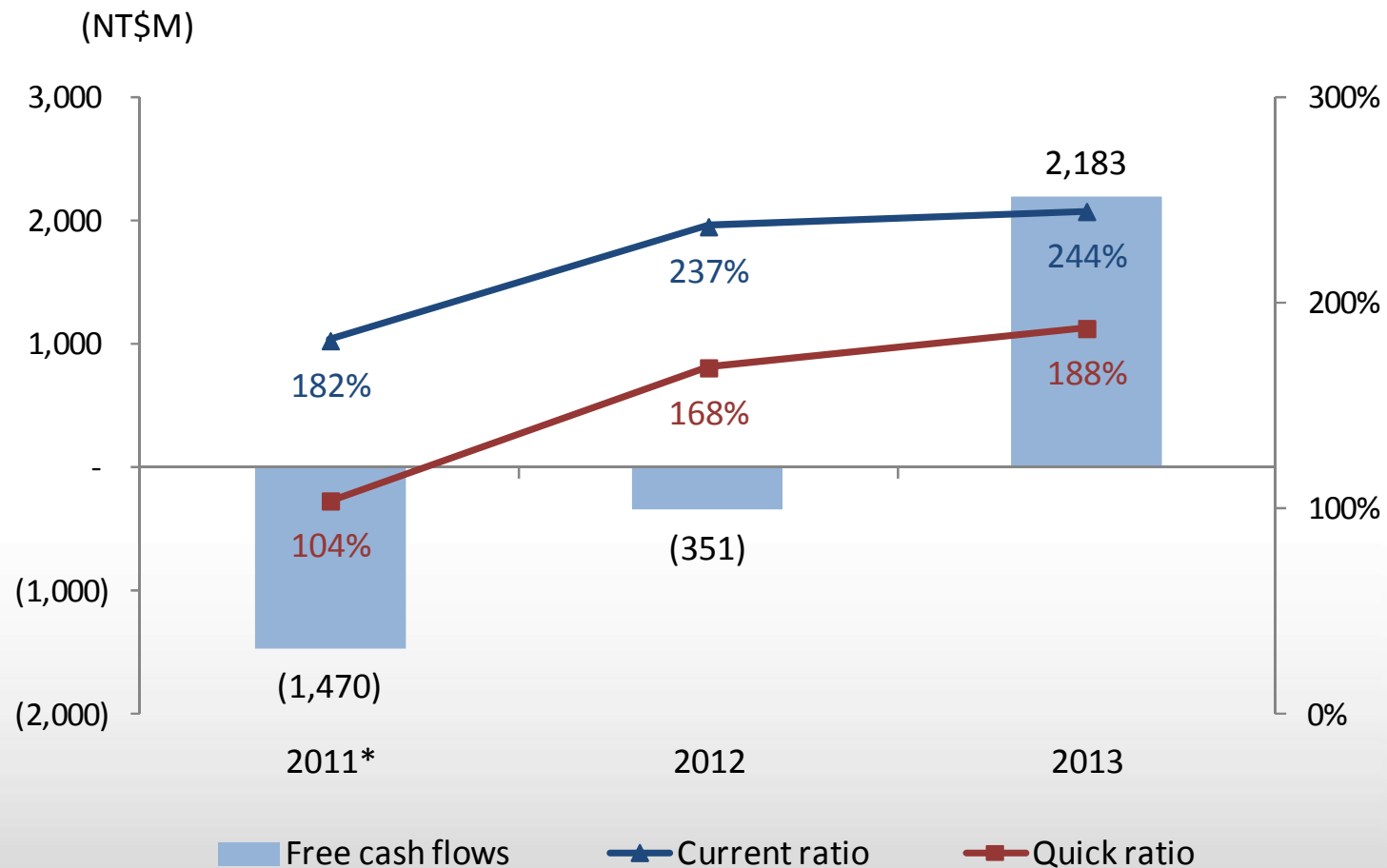


Gearing ratio*



* Gearing ratio = interest-bearing debt / total equities

Robust Cash Flow, Ample Liquidity



Note: Free cash flows = net cash flows from operating activities – CAPEX
 Current ratio = current assets / current liabilities
 Quick ratio = (current assets - other current assets) / current liabilities

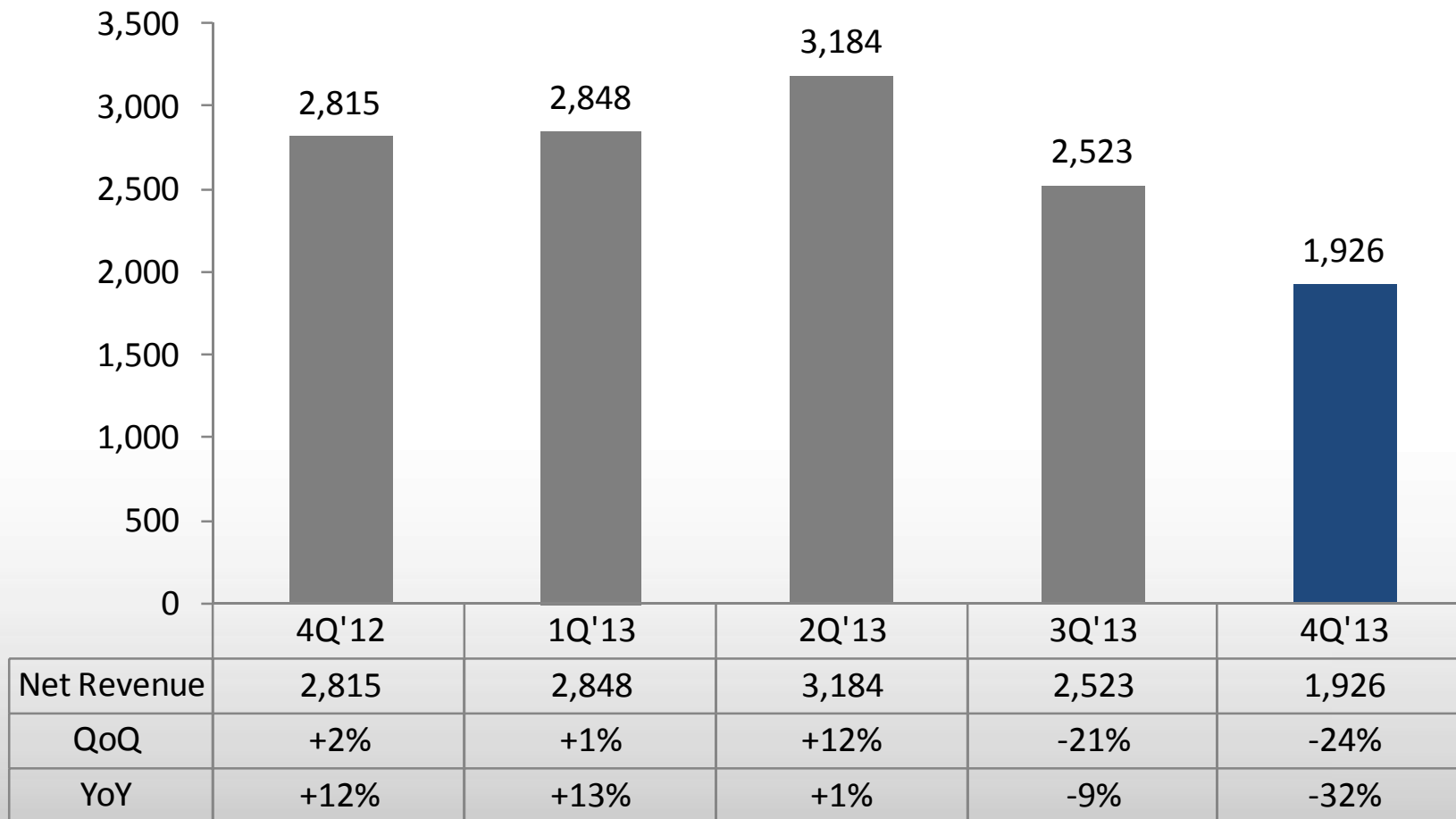
* Figures of 2011 were prepared in accordance with ROC GAAP.

4Q13 Financial Results

Revenue Trend - Quarterly



(NT\$M)



Consolidated Statements of Comprehensive Income - Quarterly (IFRSs)



(NTD M\$) Selected Items	4Q'12	3Q'13	4Q'13	QoQ	YoY
Net revenue	2,815	2,523	1,926	-24%	-32%
Gross profit	979	758	513	-32%	-48%
<i>Gross margin (%)</i>	34.8%	30.0%	26.6%		
Operating expenses	(296)	(273)	(268)	-2%	-9%
<i>Operating expenses rate (%)</i>	-11%	-11%	-14%		
Operating income	683	485	244	-50%	-64%
<i>Operating margin (%)</i>	24.3%	19.2%	12.7%		
Non-operating incomes (expenses), net	(380)	(31)	(137)		
Income before income tax	303	453	107	-76%	-65%
Income tax expense	(71)	(105)	19		
Net income	232	349	126	-64%	-46%
<i>Net margin (%)</i>	8.2%	13.8%	6.5%		
EPS (NT\$)	0.27	0.46	0.17	-63%	-37%
Other comprehensive income (net of tax)	144	(49)	134		
Comprehensive income	376	300	260	-13%	-31%
Annualized ROE(%)	7%	9%	3%		
Approx. Utilization (%)	85%	70%	55%		
Depreciation	320	450	446		
CAPEX	550	1,277	463		

Consolidated Statements of Comprehensive Income - YTD (IFRSs)



(NTD M\$)	Selected Items	2012	2013	YoY
Net revenue		11,238	10,481	-7%
Gross profit		3,636	3,232	-11%
<i>Gross margin (%)</i>		32.4%	30.8%	
Operating expenses		(1,188)	(1,123)	-5%
<i>Operating expenses rate (%)</i>		-10%	-11%	
Operating income		2,448	2,110	-14%
<i>Operating margin (%)</i>		21.8%	20.1%	
Non-operating incomes (expenses), net		(611)	103	
Income before income tax		1,837	2,212	+20%
Income tax expense		(283)	(401)	
Net income		1,554	1,812	+17%
<i>Net margin (%)</i>		13.8%	17.3%	
EPS (NT\$)		2.31	2.40	+4%
Other comprehensive income (net of tax)		75	263	
Comprehensive income		1,630	2,074	+27%
Annualized ROE(%)		13%	12%	
Approx. Utilization (%)		85%	75%	
Depreciation		1,257	1,784	
CAPEX		3,317	2,815	

Non-Operating Income and Expenses



(NTD M\$)	Selected Items	4Q'13	2013
	Foreign exchange gains	6	109
	Losses on disposals of investments	(21)	(398)
	Gains (losses) on disposals of property, plant and equipment	(0)	307
	Gains on financial assets (liabilities) at fair value through profit or loss, net	17	410
	Share of loss of associates and joint ventures accounted for using equity method	(83)	(160)
	Others	(57)	(165)
	Total	(137)	103

Consolidated Balance Sheets (IFRSs)



(NTD M\$)	Selected Items	2012/12/31		2013/9/30		2013/12/31	
		Amount	%	Amount	%	Amount	%
	Cash and cash equivalents	3,026	13%	2,823	13%	1,967	9%
	Current financial assets at fair value through profit or loss	1,501	6%	798	4%	1,162	6%
	Current available-for-sale financial assets	512	2%	534	2%	585	3%
	Notes and accounts receivable, net	1,049	4%	693	3%	650	3%
	Inventories	2,101	9%	1,642	7%	1,127	5%
	Long-term investments	1,351	6%	958	5%	1,065	5%
	Net property, plant and equipment	13,228	56%	14,103	64%	14,117	67%
	Total Assets	23,589	100%	21,986	100%	21,112	100%
	Current liabilities	3,614		2,959		2,327	
	Long-term borrowings	5,559		3,721		3,721	
	Total Liabilities	9,236	39%	6,861	31%	6,220	29%
	Common stock	7,542		7,586		7,393	
	Total Equity	14,353	61%	15,125	69%	14,892	71%
	Book value per share (NT\$)	19.03		19.94		20.14	
	Key Indices						
	Current ratio (<i>Current assets / Current liabilities</i>)	237%		225%		244%	
	Debt ratio (<i>Total liabilities / Total assets</i>)	39%		31%		29%	

Q & A

For more information regarding WIN
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