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Global Communications
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WIN Semiconductors

Wireless • Information • Networking

4Q 2014 Investor Conference

March 2015



Safe Harbor Notice



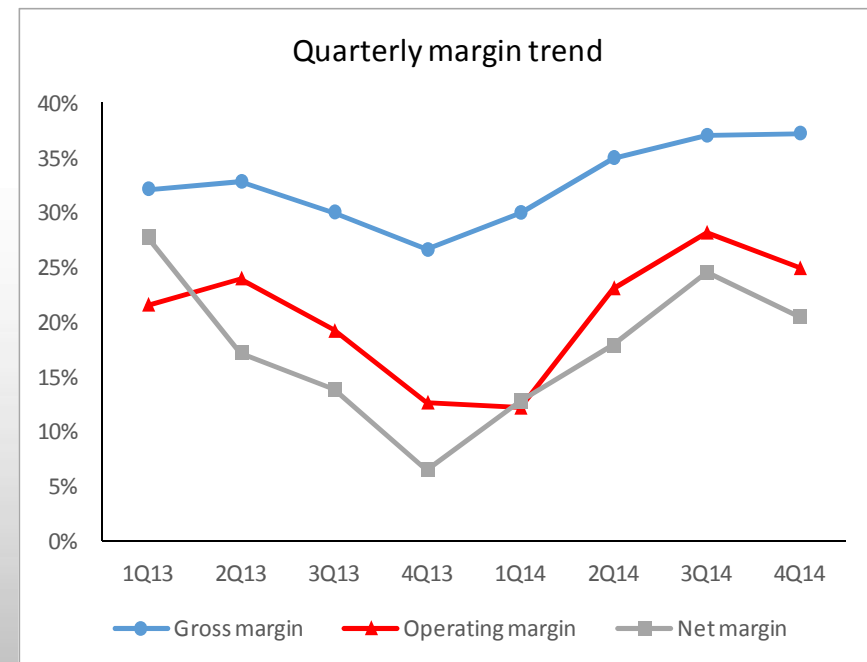
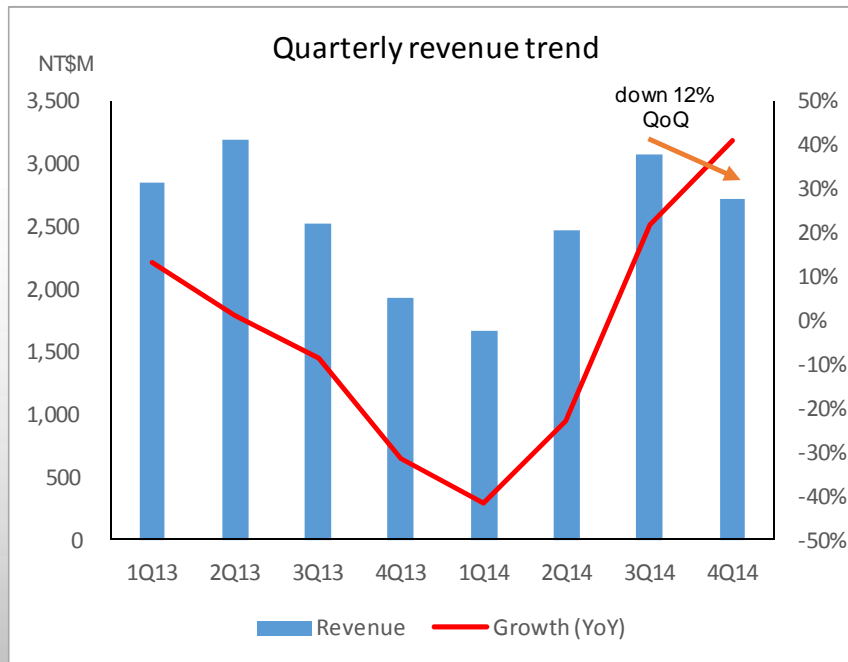
- *This presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.*
- *Except as required by law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

Quarterly Results & Guidance

Revenue & Margin Trend



- 4Q14 revenues declined 12% QoQ due to normal seasonality, and increased 41% YoY off a low base.
- 4Q14 GM improved 0.3pp sequentially to a record high of 37.3% driven by a favorable product mix; OPM decreased 3.3pp to 24.9% as R&D expenses returned to a normal level from a relatively low base in 3Q14.

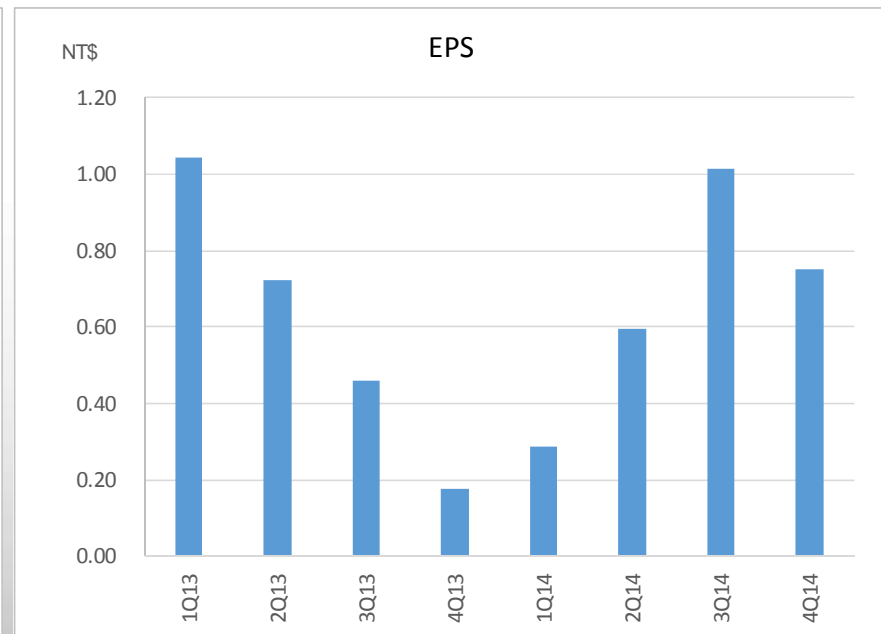
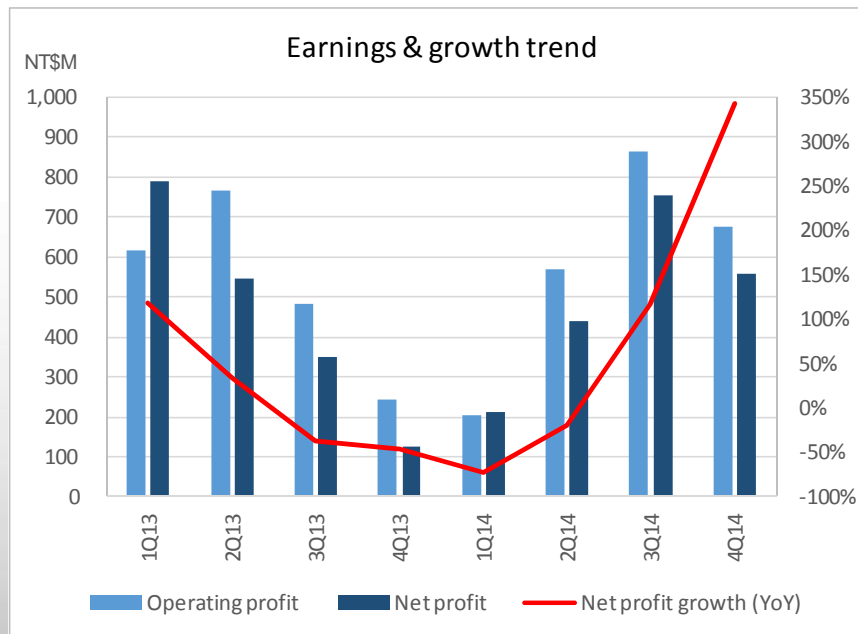


Source: company.

Earnings Trend



- 4Q14 net profit declined 26% QoQ to NT\$557 million, but increased over 340% YoY. Margin expansion from product diversification helped 2014 net profit to grow by 8% YoY despite a 5% revenue decline.
- 4Q14 EPS came in at NT\$0.75, compared to NT\$1.02 in 3Q14. 2014 EPS was NT\$2.65, compared to NT\$2.4 in 2013.

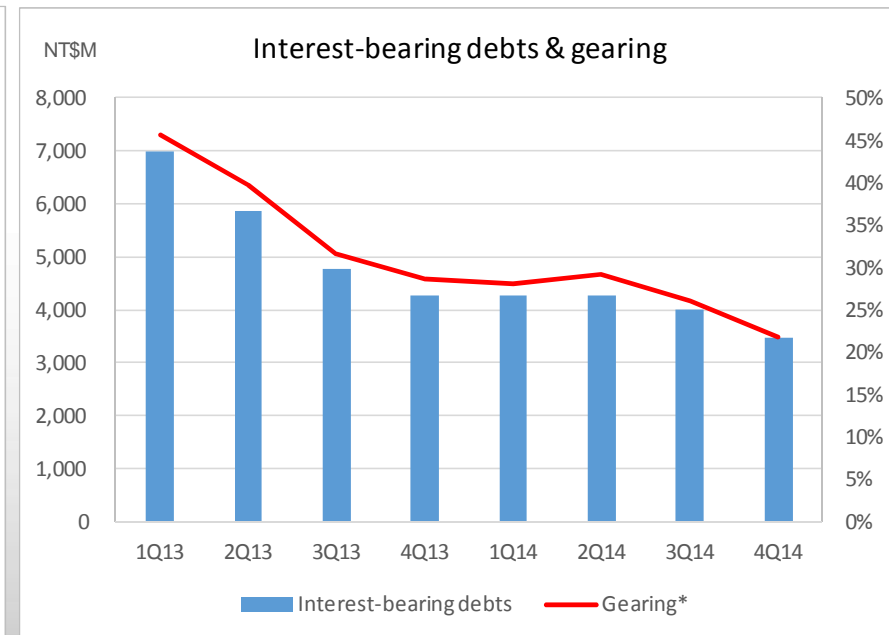
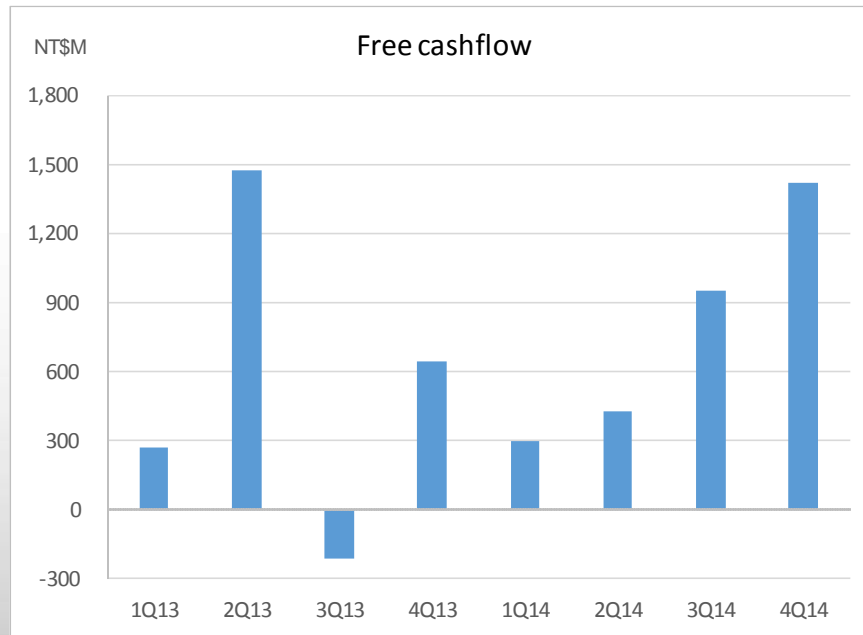


Source: company.

FCF & Gearing Trend

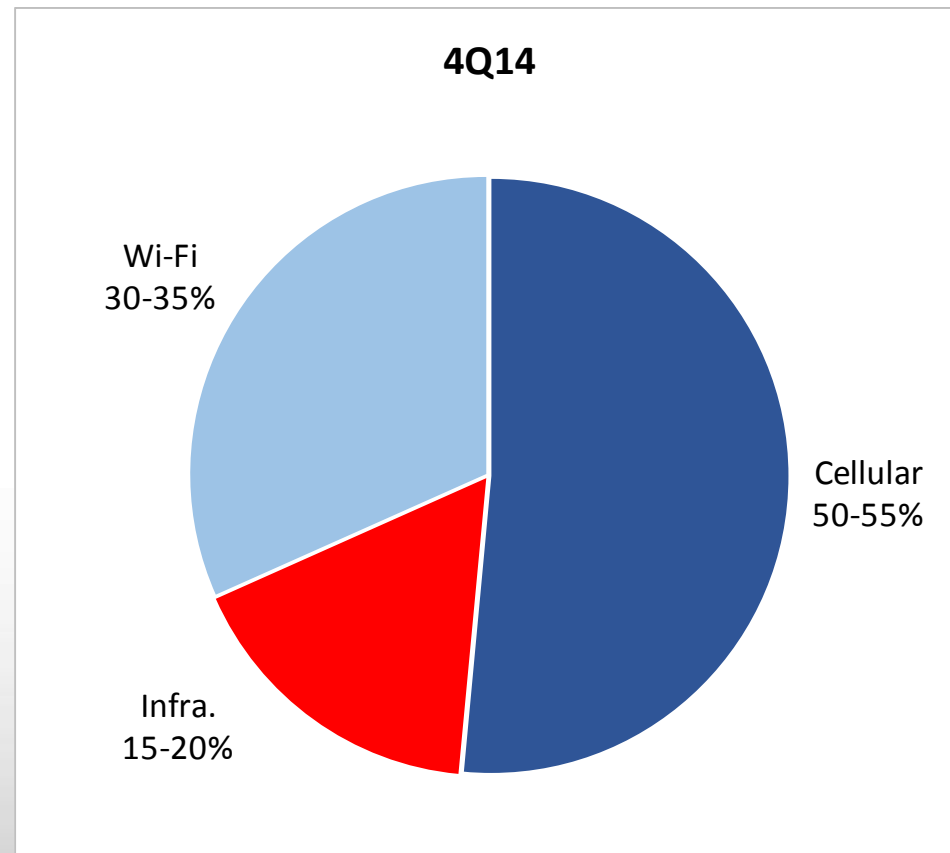
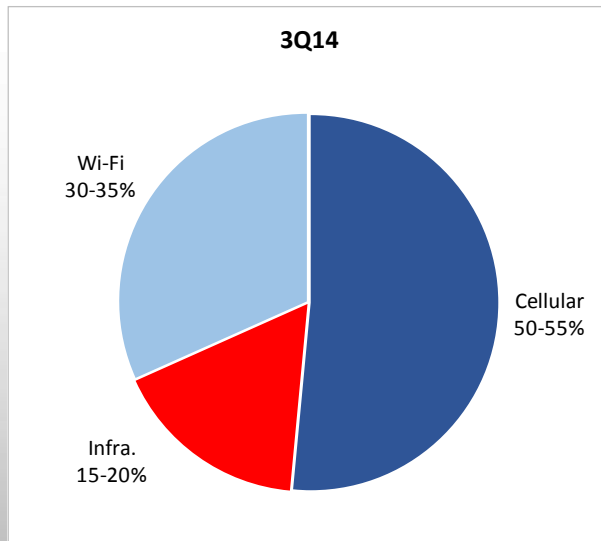
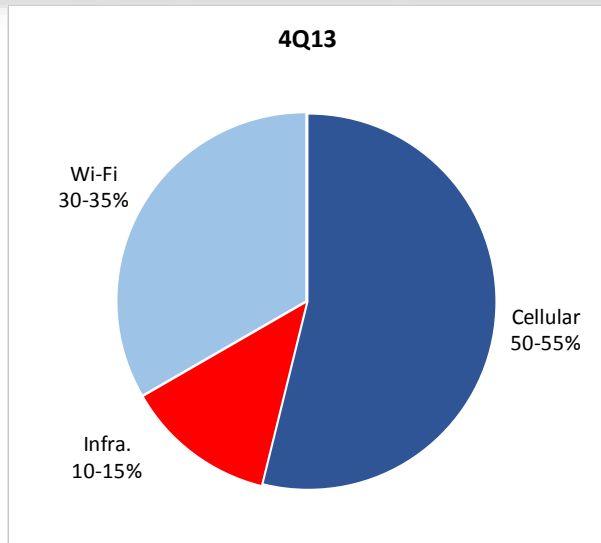


- Free cash flow (FCF) continued to be positive for the past 5 quarters as a result of our rigid control on capex and improvements in efficiency.
- Interest-bearing debts fell below NT\$3.5bn and gearings declined to a historical low since listing, reinforcing our solid balance sheet position.



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

Product Mix



Source: company.

1Q15 Guidance



- We expect 1Q15 to be a good start to another growth year with flat quarter-on-quarter revenues off a strong base in 4Q14.
- We expect positive progress in product diversification, which should support 1Q15 gross margin to be close to 2H14 level.

Financial Summary

Consolidated Statements of Comprehensive Income - Quarterly



Unit: NTD Million	4Q'13	3Q'14	4Q'14	QoQ	YoY
Net revenue	1,926	3,069	2,713	-12%	+41%
Gross profit	513	1,137	1,011	-11%	+97%
<i>Gross margin (%)</i>	26.6%	37.0%	37.3%		
Operating expenses	(268)	(271)	(334)	+23%	+25%
<i>Operating expenses rate (%)</i>	-14%	-9%	-12%		
Operating income	244	865	677	-22%	+177%
<i>Operating margin (%)</i>	12.7%	28.2%	24.9%		
Non-operating incomes and expenses	(137)	24	38		
Income before income tax	107	889	715	-20%	+568%
Income tax expense	19	(136)	(157)		
Net income	126	753	557	-26%	+342%
<i>Net margin (%)</i>	6.5%	24.5%	20.5%		
EPS (NT\$)	0.17	1.02	0.75	-26%	+341%
Other comprehensive income, net	134	(74)	82		
Comprehensive income	260	680	639	-6%	+146%
Annualized ROE(%)	3%	20%	14%		
Approx. Utilization (%)	55%	90%	80%		
Depreciation	446	465	466		
CAPEX	463	92	282		

Consolidated Statements of Comprehensive Income - YTD



Unit: NTD Million	2013	2014	YoY
Net revenue	10,481	9,910	-5%
Gross profit	3,232	3,510	+9%
<i>Gross margin (%)</i>	30.8%	35.4%	
Operating expenses	(1,123)	(1,195)	+6%
<i>Operating expenses rate (%)</i>	-11%	-12%	
Operating income	2,110	2,315	+10%
<i>Operating margin (%)</i>	20.1%	23.4%	
Non-operating incomes and expenses	103	114	
Income before income tax	2,212	2,429	+10%
Income tax expense	(401)	(465)	
Net income	1,812	1,963	+8%
<i>Net margin (%)</i>	17.3%	19.8%	
EPS (NT\$)	2.40	2.65	+10%
Other comprehensive income, net	263	125	
Comprehensive income	2,074	2,088	+1%
Annualized ROE(%)	12%	13%	
Approx. Utilization (%)	75%	70%	
Depreciation	1,784	1,852	
CAPEX	2,815	738	

Non-operating Items



Unit: NTD Million

	4Q'13	4Q'14	2013	2014
Foreign exchange gains (losses)	6	46	109	68
Gains (losses) on disposals of property, plant and equipment	(0)	0	307	(0)
Gains (losses) on disposals of investments	(21)	(20)	(398)	(65)
Gains on financial assets (liabilities) at fair value through profit or loss, net	17	28	410	130
Share of loss of associates and joint ventures accounted for using equity	(83)	11	(160)	(5)
Others	(57)	(26)	(165)	(15)
Total	(137)	38	103	114

Consolidated Balance Sheets



(Unit: NTD Million)	Major Item	2013/12/31		2014/9/30		2014/12/31	
		\$	%	\$	%	\$	%
	Cash and cash equivalents	1,967	9%	1,965	9%	2,677	12%
	Current financial assets at fair value through profit or loss	1,162	6%	1,168	5%	1,321	6%
	Current available-for-sale financial assets	585	3%	704	3%	677	3%
	Notes and accounts receivable, net	650	3%	1,017	5%	690	3%
	Inventories	1,127	5%	1,642	8%	1,500	7%
	Long-term investments	1,065	5%	1,198	6%	1,603	7%
	Net property, plant and equipment	14,117	67%	13,181	61%	12,923	59%
	Total Assets	21,112	100%	21,650	100%	21,816	100%
	Current liabilities	2,327		3,225		2,749	
	Long-term borrowings	3,721		2,938		2,938	
	Total Liabilities	6,220	29%	6,353	29%	5,876	27%
	Common stock	7,393		7,421		7,422	
	Total Equity	14,892	71%	15,297	71%	15,940	73%
	Book value per share (NT\$)	20.14		20.61		21.48	
	Key Indices						
	Current ratio (<i>Current assets / Current liabilities</i>)	244%		220%		259%	
	Debt ratio (<i>Total liabilities / Total assets</i>)	29%		29%		27%	

Market Outlook

Summary of Growth Momentum (2012)



Wi-Fi widely used in cellular phone, notebook, tablet PC, home entertainment

P-t-P, satellite, fiberoptic communications

4G LTE , femto cell, and Wimax

Short Term:
Fast growth of 3G Smartphones (30~40% YoY)

Mid-Term:
1. Entry level Smartphones replacing 2G feature phones.
2. 4G LTE launch.
3. 802.11ac MIMO

Long Term:
Machine-to-Machine (M2M) . Smart grid, smart traffic, smart city... etc.

Summary of Growth Momentum (2015)



4G Smartphones

IoT Gateway

5G Network

Short Term:

1. 3G is the basic
2. 4G (TD) LTE rapidly adopted.
3. 802.11ac dual bands

Mid-Term:

1. WiFi 11ac MIMO for mid/low-end smartphones and routers
2. WiFi & 3G/4G for IoT
3. Strong infrastructure growth

Long Term:

1. Pre-5G launch (e.g. through broadband satellite, dense cells, ...)
2. 5G launch with massive IoT deployment

- **Competition from Silicon CMOS**

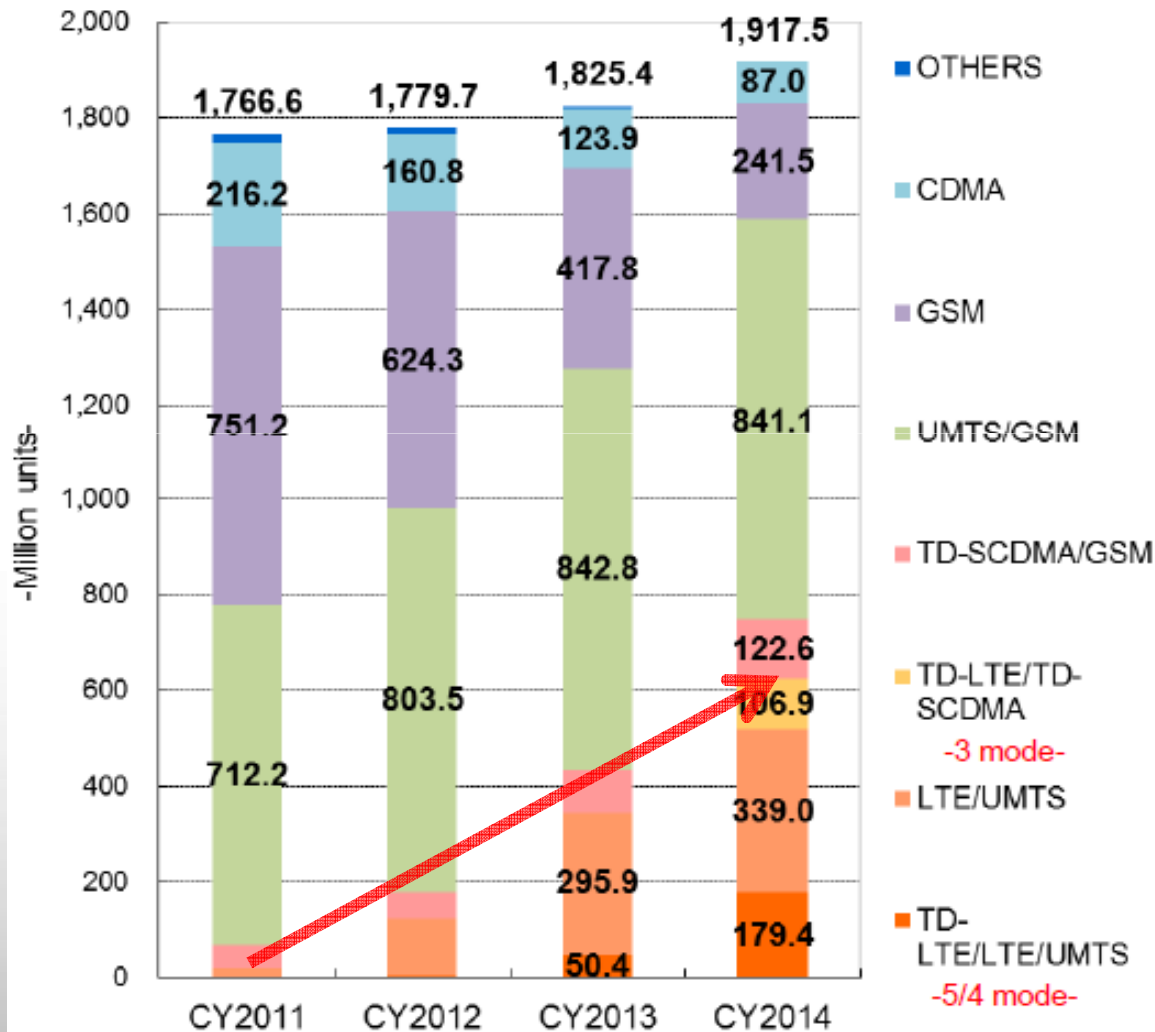
- Cellular switch: Impact to revenue has been diminished to insignificant.
- Cellular PA: Do not see significant penetration.

- **Chip Size Shrink**

- The chip size reduction trend has been significantly slowed down compared to 2012~2013.

- **More LTE and/or TD-LTE bands will continue to be adopted**
- **Demand on flagship smartphones continues to be strong**
- **Mode and frequency multiplicity is the direction of new smartphone development in China. China Mobile demands “five modes and 10 frequencies” is an example.**
- **Launch of new flagship smartphones.**

Cellular Terminal Shipment Trend (Actual)



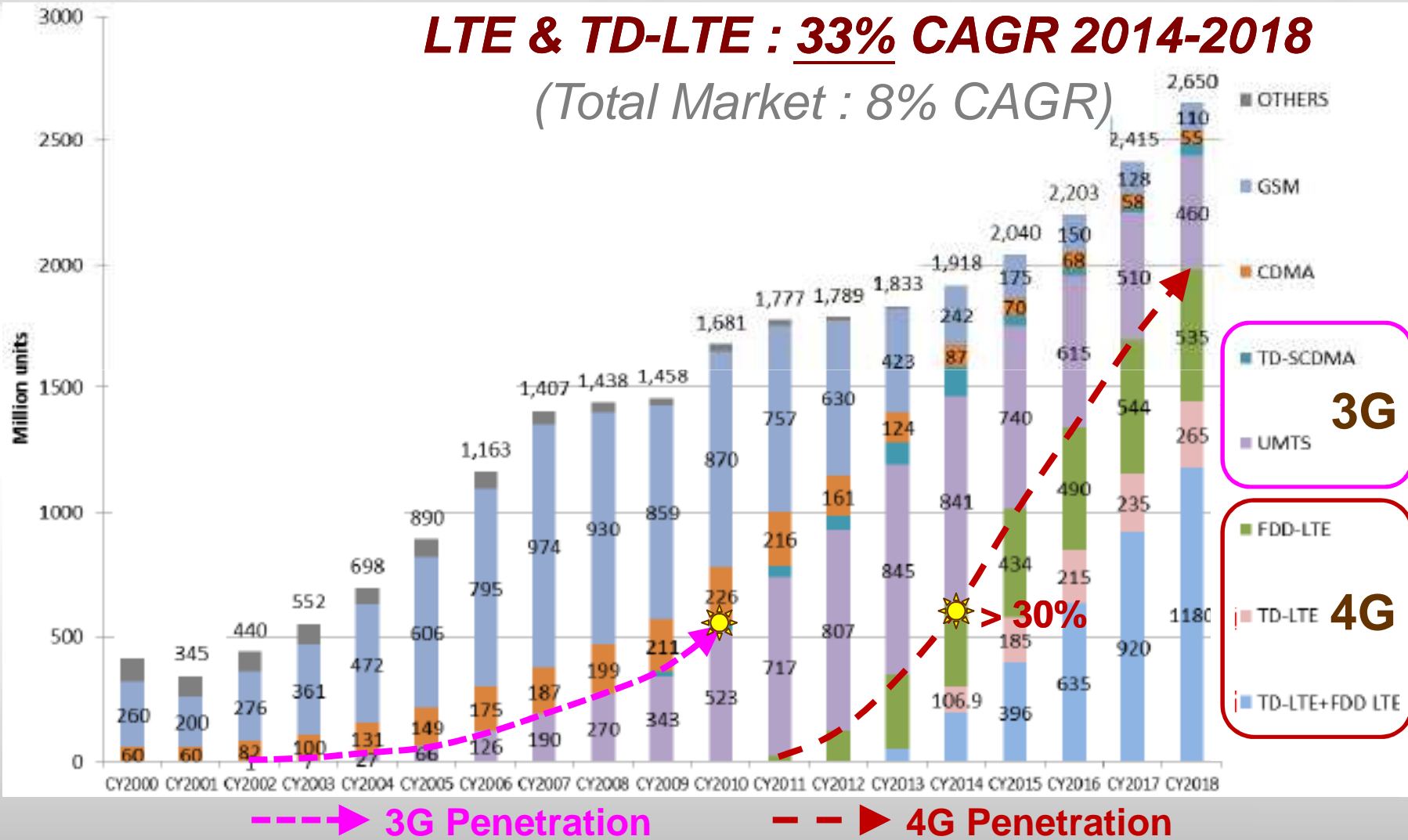
- More LTE and/or TD-LTE bands will continue to be adopted
- In the meanwhile, 3G shipment unit maintained at the same level.
- 40% of global mobile data traffic was through 4G network in 2014.

Source : Navian_RF Devices/Modules for Cellular_2014.Dec.

Cellular Terminal Shipment (Forecast)



LTE & TD-LTE : 33% CAGR 2014-2018
 (Total Market : 8% CAGR)



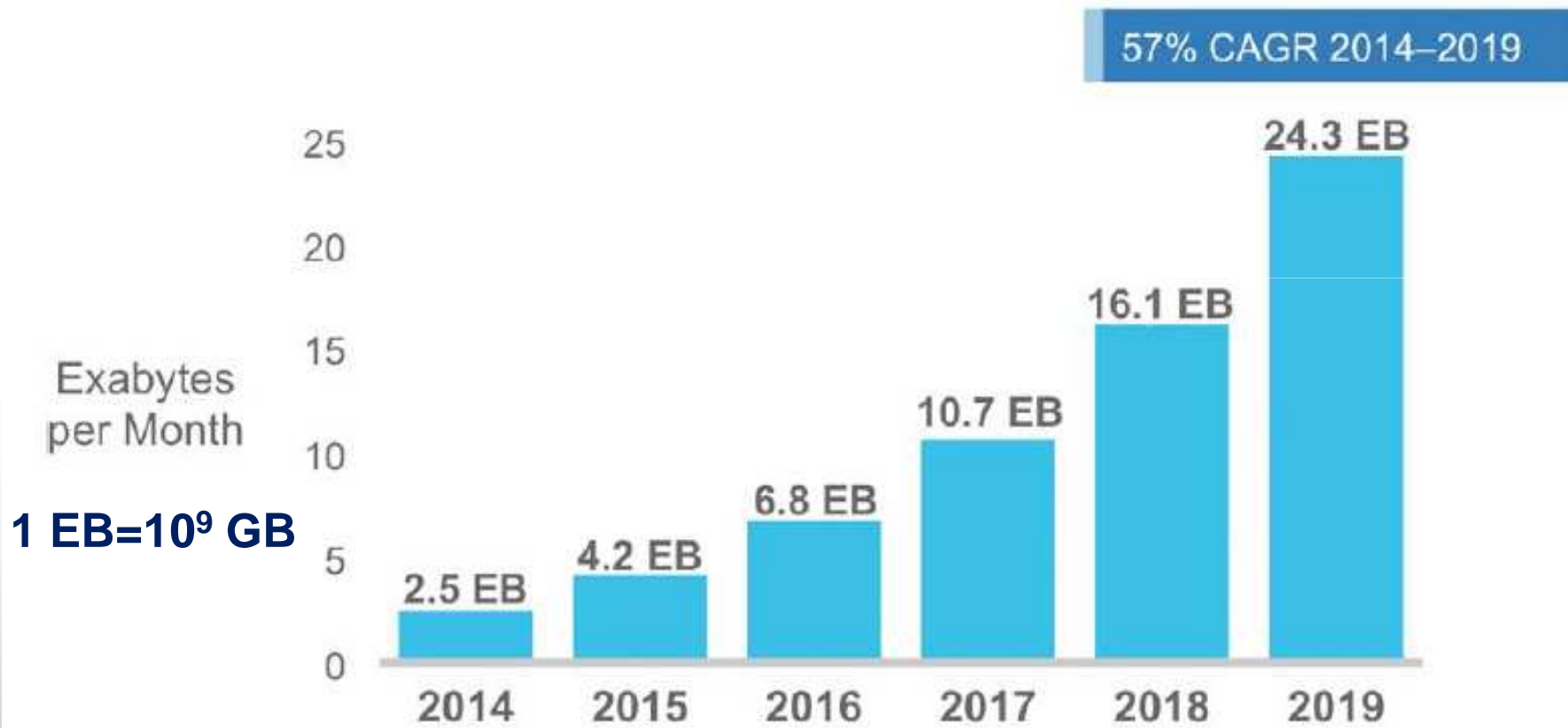
Source : Navian_RF Devices/Modules for Cellular_2014.Dec.

- **Wi-Fi PA and FEM represent a significant higher growth rate than cellular PA.**
- **More and more smartphones will adopt external FEM/PA for 5GHz 802.11ac solution.**
- **802.11ac routers quickly move toward MIMO**
- **IoT wireless connectivity adopts Wi-Fi and 3G/4G as the gateway router**
- **Strong growth in broadband wireless infrastructure demand driven by demand on global mobile data traffic largely increased.**

Global Mobile Data Traffic Forecast



Figure 1. Cisco Forecasts 24.3 Exabytes per Month of Mobile Data Traffic by 2019

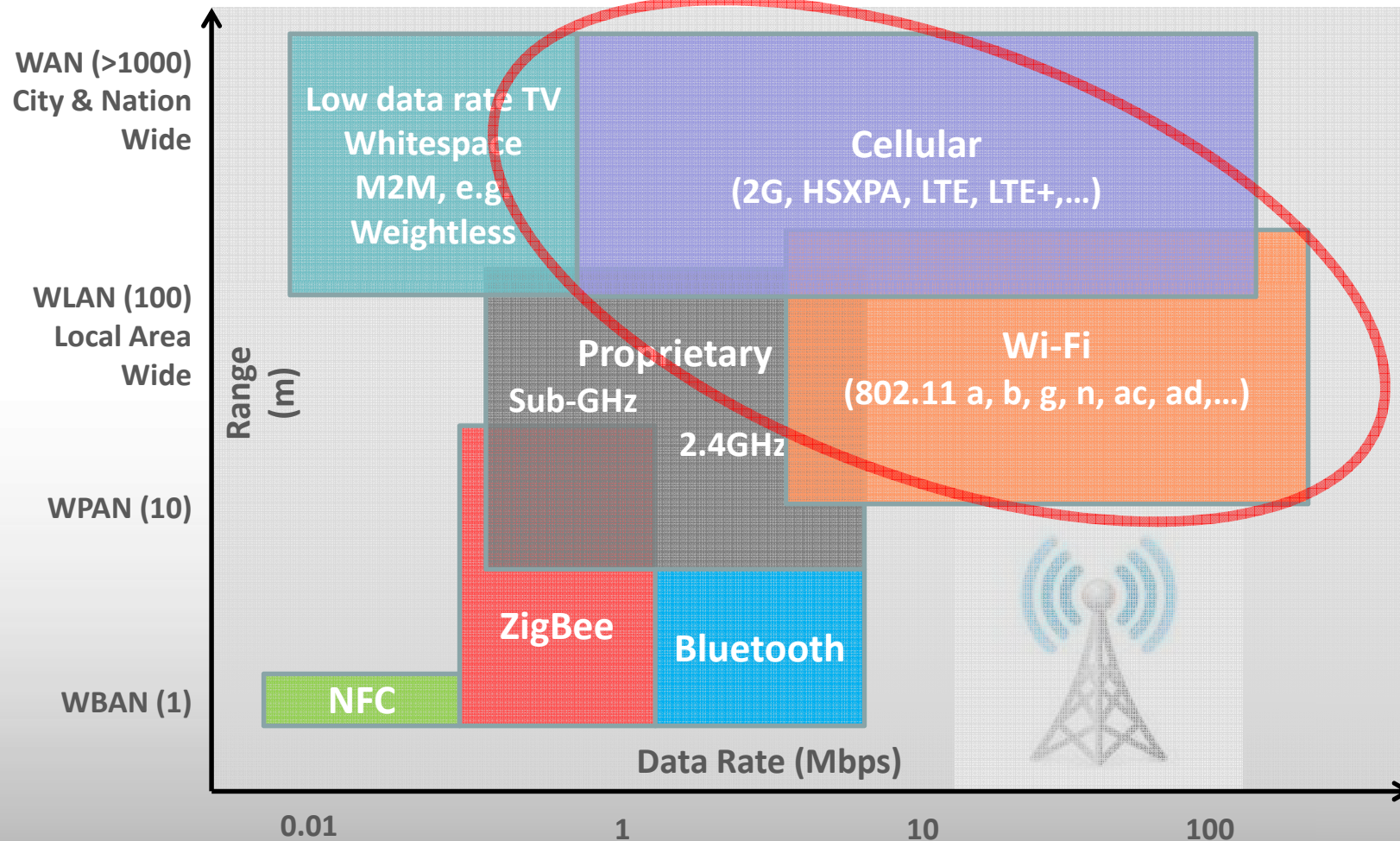


Source: Cisco VNI Mobile, 2015

GaAs Opportunities in IoT Wireless Connectivity



Today's Wireless Landscape

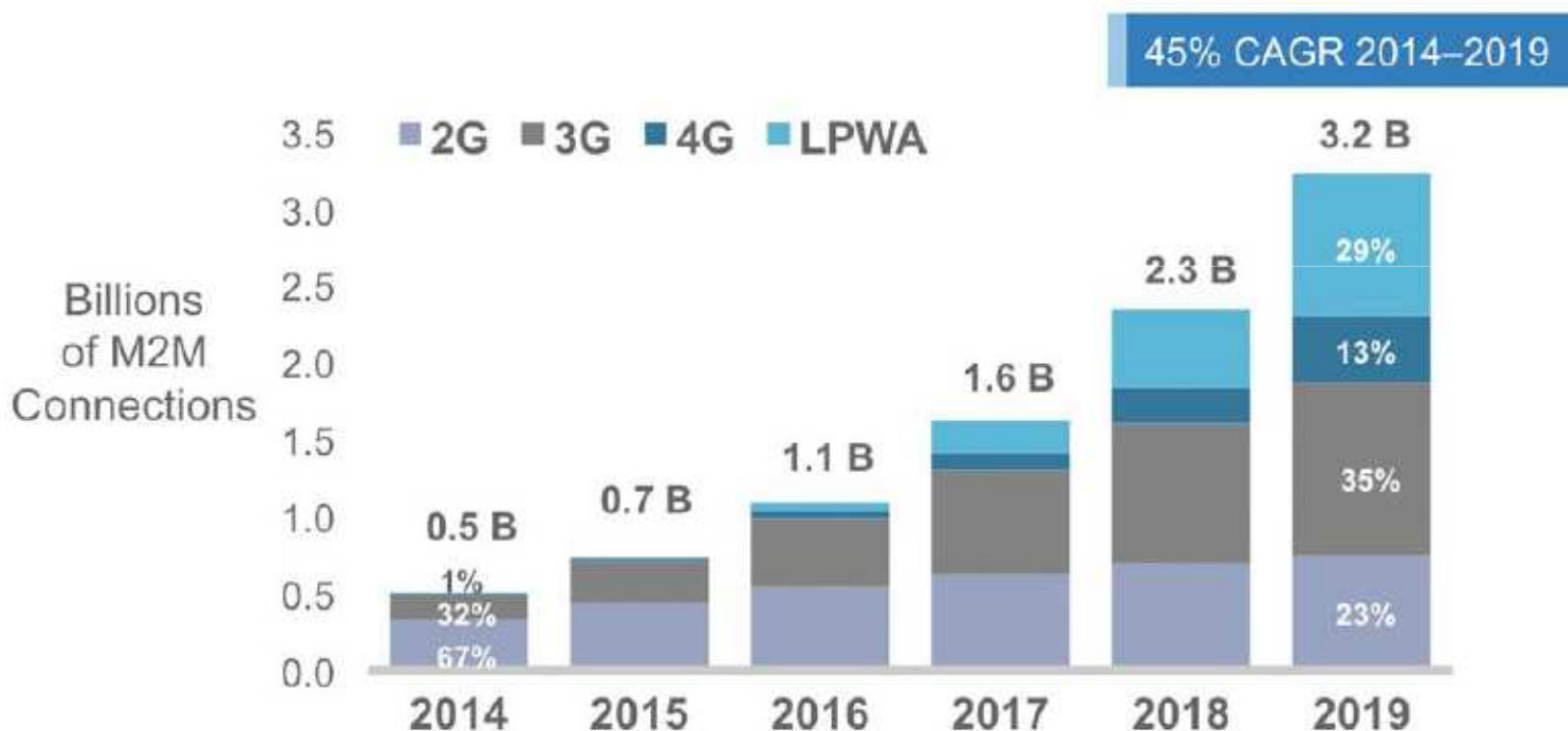


Mobile M2M Connection Through 2G, 3G, and 4G Networks



(Wi-Fi Not Included)

Figure 10. Global Machine-to-Machine Growth and Migration from 2G to 3G and 4G

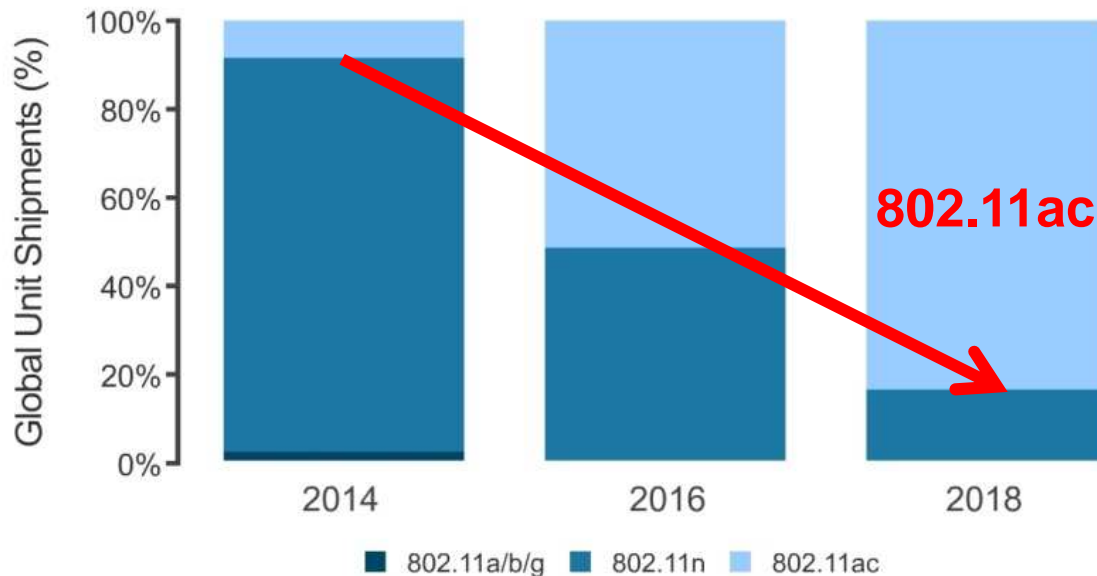


In 2014, 4G accounts for 1% and LPWA accounts for 0.2% of global mobile M2M connections.

Source: Cisco VNI Mobile, 2015

802.11ac Router Growth Trend (2014-2018)

802.11ac access points expected to dominate the global WLAN market by 2018



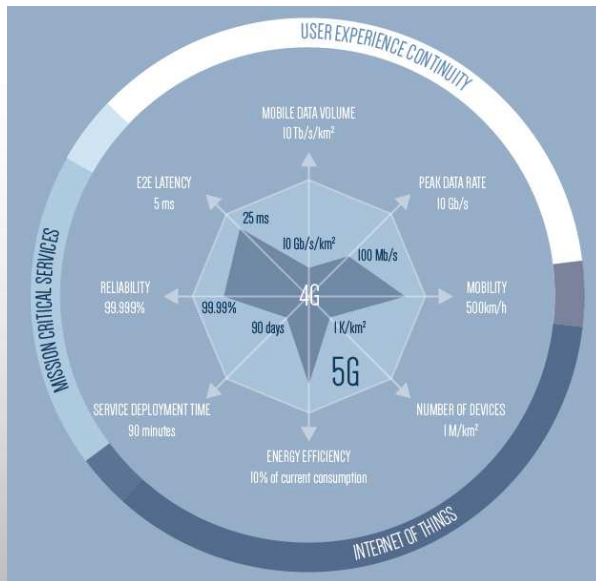
© Infonetics Research, *Wireless LAN Equipment and WiFi Phones, Quarterly Market Share, Size, and Forecasts*, May 2014

- Higher performance requirement in 802.11ac represents great opportunity for GaAs devices.
- Dual band (2GHz&5GHz) and MIMO requirements represent volume opportunity for GaAs components.
- Same trend is happening in high-end smartphones.
- Low/mid-end smartphones will be the next to adopt 11ac dual bands and MIMO.

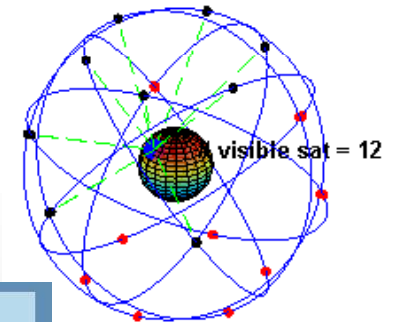
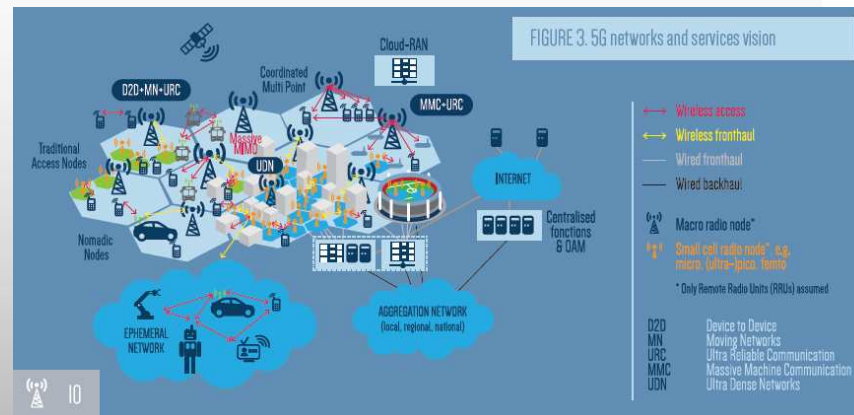
Long Term Momentum (2018~)



- Pre-5G launch: Broadband internet service through satellite communication (>10GHz) as an example.
- 5G launch using significant higher frequency bands
 - 6GHz ~ 80GHz, small cells, massive MIMO, phase array, ... etc.



Source: 5G PPP: 5G Vision 2015



Q & A

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