

WIN Semiconductors Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars)

	2011	2012		2011	2012
Assets			Liabilities and Stockholders' Equity		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 799,376	3,025,657	Financial liabilities at fair value through profit or loss	\$ -	417
Financial assets at fair value through profit or loss	1,599,992	1,501,172	Accounts payable	1,090,011	1,121,867
Available-for-sale financial assets – current	-	512,068	Accrued expenses	721,729	666,490
Notes and accounts receivable, net	652,822	1,049,355	Payable on equipment	210,620	96,885
Other financial assets – current	129,850	231,072	Current portion of long-term borrowings	1,007,672	1,650,185
Inventories	1,893,835	2,101,205	Other current liabilities	<u>35,650</u>	<u>50,507</u>
Other current assets	129,248	145,801	Total current liabilities	<u>3,065,682</u>	<u>3,586,351</u>
Deferred income tax assets – current	<u>360,481</u>	<u>298,495</u>	Long-term liabilities:		
Total current assets	<u>5,565,604</u>	<u>8,864,825</u>	Long-term borrowings	<u>5,483,622</u>	<u>5,558,677</u>
Funds and investments:			Other liabilities:		
Available-for-sale financial assets – noncurrent	228,417	143,774	Accrued pension liabilities	<u>4,246</u>	<u>20,907</u>
Financial assets carried at cost – noncurrent	500,523	366,674	Total liabilities	<u>8,553,550</u>	<u>9,165,935</u>
Long-term investments under equity method	442,289	324,861	Stockholders' equity:		
Investment in bonds with no active market – noncurrent	<u>344,783</u>	<u>534,783</u>	Common stock	<u>6,485,930</u>	<u>7,541,877</u>
Total funds and investments	<u>1,516,012</u>	<u>1,370,092</u>	Capital surplus:		
Property, plant and equipment :			Capital surplus – additional paid-in capital	1,529,719	3,662,436
Cost:			Capital surplus – long-term equity investments	28,469	-
Land	802,337	1,765,464	Capital surplus – employee stock options	<u>148,934</u>	<u>100,609</u>
Buildings	721,851	722,426	Total capital surplus	<u>1,707,122</u>	<u>3,763,045</u>
Machinery and equipment	9,149,329	10,381,768	Retained earnings:		
Factory and equipment	1,887,456	2,753,996	Legal reserve	130,842	258,703
Office equipment	110,185	113,688	Special reserve	-	221,662
Other equipment	<u>156,446</u>	<u>231,158</u>	Retained earnings	<u>1,942,901</u>	<u>2,673,744</u>
	12,827,604	15,968,500	Total retained earnings	<u>2,073,743</u>	<u>3,154,109</u>
Less: accumulated depreciation	<u>(3,233,291)</u>	<u>(4,487,349)</u>	Other stockholders' equity adjustments:		
	9,594,313	11,481,151	Cumulative translation adjustments	3,064	1,642
Construction in progress	712,006	285,048	Unrealized gain (loss) on financial instruments	<u>(224,726)</u>	<u>(35,656)</u>
Prepayment for purchases of land and buildings	-	702,128	Total other stockholders' equity adjustments	<u>(221,662)</u>	<u>(34,014)</u>
Prepayment for purchases of equipment	<u>960,423</u>	<u>760,139</u>	Total stockholders' equity	10,045,133	14,425,017
Net property, plant and equipment	<u>11,266,742</u>	<u>13,228,466</u>	Commitments and contingencies		
Intangible assets	<u>117,652</u>	<u>82,708</u>			
Other assets:					
Refundable deposits	19,658	19,444			
Restricted assets – noncurrent	23,284	23,423			
Deferred income tax assets – noncurrent	<u>89,731</u>	<u>1,994</u>			
Total other assets	<u>132,673</u>	<u>44,861</u>			
Total Assets	\$ <u>18,598,683</u>	<u>23,590,952</u>	Total Liabilities and Stockholders' Equity	\$ <u>18,598,683</u>	<u>23,590,952</u>

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2011	2012				
Operating revenue	\$ 8,927,370	11,276,342				
Less: sales returns	(9,276)	(12,088)				
sales discounts and allowances	<u>(16,821)</u>	<u>(26,290)</u>				
Net revenue	8,901,273	11,237,964				
Cost of goods sold	<u>(6,096,943)</u>	<u>(7,597,780)</u>				
Gross profit	<u>2,804,330</u>	<u>3,640,184</u>				
Operating expenses						
Marketing expenses	(142,156)	(176,229)				
General and administrative expenses	(434,524)	(476,165)				
Research and development expenses	<u>(450,279)</u>	<u>(530,490)</u>				
Operating income	<u>1,777,371</u>	<u>2,457,300</u>				
Non-operating income and gains:						
Interest income	813	4,594				
Gain on disposal of property, plant and equipment	-	210				
Gain on disposal of investments, net	183	22,461				
Dividend income	79,529	18,019				
Other income	<u>150,810</u>	<u>20,911</u>				
	<u>231,335</u>	<u>66,195</u>				
Non-operating expenses and losses:						
Interest expense	(58,346)	(102,946)				
Investment loss recognized under equity method	(114,698)	(78,339)				
Loss on disposal of property, plant and equipment	(14,688)	-				
Impairment loss	-	(190,129)				
Loss on valuation of financial assets, net	(621,718)	(161,920)				
Exchange loss, net	<u>(29,525)</u>	<u>(61,821)</u>				
	<u>(838,975)</u>	<u>(595,155)</u>				
Income before income tax	1,169,731	1,928,340				
Income tax benefit (expense) (note 4(l))	<u>108,879</u>	<u>(280,811)</u>				
Net income	\$ <u>1,278,610</u>	<u>1,647,529</u>				
			Before	After	Before	After
			income tax	income tax	income tax	income tax
Earnings per common share (expressed in dollars) :						
Basic earnings per share	\$ <u>1.87</u>	<u>2.04</u>	<u>2.87</u>	<u>2.45</u>		
Diluted earnings per share	\$ <u>1.82</u>	<u>1.99</u>	<u>2.82</u>	<u>2.41</u>		

WIN Semiconductors Corp. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
Balance on January 1, 2011	\$ 6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)								
Legal reserve	-	-	130,842	-	(130,842)	-	-	-
Cash dividend	-	-	-	-	(513,291)	-	-	(513,291)
Issuance of common stock	116,800	186,880	-	-	-	-	-	303,680
Exercise of employee stock options (note 4)	193,455	62,997	-	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 3)	-	91,671	-	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	7,058	-	-	-	-	-	7,058
Increase in capital surplus resulting from long-term investments under equity method	-	24	-	-	-	-	-	24
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments	-	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011	-	-	-	-	<u>1,278,610</u>	-	-	<u>1,278,610</u>
Balance on December 31, 2011	6,485,930	1,707,122	130,842	-	1,942,901	3,064	(224,726)	10,045,133
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)								
Legal reserve	-	-	127,861	-	(127,861)	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-
Cash dividend	-	-	-	-	(518,874)	-	-	(518,874)
Issuance of common stock	1,000,000	2,017,939	-	-	-	-	-	3,017,939
Exercise of employee stock options (note 5)	55,947	114,778	-	-	-	-	-	170,725
Compensation cost arising from employee stock options (note 3)	-	(51,857)	-	-	-	-	-	(51,857)
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	4,789	4,789
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	3,532	-	-	-	-	-	3,532
Decrease in capital surplus resulting from disposal of long-term investments under equity method	-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term investments under equity method	-	107	-	-	-	-	-	107
Adjustments arising from change in percentage of ownership in equity method	-	(131)	-	-	(48,289)	-	-	(48,420)
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	184,281	184,281
Translation adjustments	-	-	-	-	-	(1,422)	-	(1,422)
Net income for the year ended December 31, 2012	-	-	-	-	<u>1,647,529</u>	-	-	<u>1,647,529</u>
Balance on December 31, 2012	<u>\$ 7,541,877</u>	<u>3,763,045</u>	<u>258,703</u>	<u>221,662</u>	<u>2,673,744</u>	<u>1,642</u>	<u>(35,656)</u>	<u>14,425,017</u>

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT\$58,100 and NT\$17,400, respectively, were recognized and accrued in the 2010 earnings.

Note 2: The appropriations for 2011 employee's bonus, directors' and supervisors' remuneration amounting to NT\$92,900 and NT\$27,800, respectively, were recognized and accrued in the 2011 earnings.

Note 3: For stock options granted to employees, compensation cost was recognized for the year ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus—employee stock options into capital surplus—additional paid-in capital.

Note 4: As the exercise price of the employees stock options is greater than book value as of December 31, 2011, the difference was credited to capital surplus—additional paid-in capital of NT\$1,157.

Note 5: As the exercise price of the employees stock options is less than book value as of December 31, 2012, the difference was debited to capital surplus—additional paid-in capital of NT\$539.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
Cash flows from operating activities:		
Net income	\$ 1,278,610	1,647,529
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation	975,969	1,256,812
Amortization	57,613	50,206
Amortization of cost of long-term borrowings	3,947	4,112
Loss on valuation of inventories and obsolescence	37,115	64,519
Investment loss recognized under equity method	114,698	78,339
Compensation cost arising from employee stock options	160,569	66,992
Deferred income tax (benefit) expense	(300,103)	150,351
Unrealized exchange loss on long-term borrowings	26,563	-
Loss (gain) on disposal of property, plant and equipment	14,688	(210)
Insurance claim on damaged and donated property, plant and equipment	-	54,610
Gain on disposal of investments	(183)	(22,461)
Impairment loss	-	190,129
Change in operating assets:		
Financial assets at fair value through profit or loss	1,873	183,016
Notes and accounts receivable	(171,806)	(396,533)
Other financial assets – current	(39,948)	(79,596)
Inventories	(627,472)	(341,201)
Other current assets	(23,554)	(17,486)
Change in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	417
Accounts payable	218,532	31,856
Accrued expenses	145,191	(62,613)
Other current liabilities	(8,640)	14,857
Accrued pension liabilities	1,779	16,661
Net cash provided by operating activities	<u>1,865,441</u>	<u>2,890,306</u>
Cash flows from investing activities:		
Increase in available-for-sale financial assets – current	-	(367,034)
Payment for purchase of investment in bonds with no active market – noncurrent	-	(190,000)
Payment for purchase of available-for-sale financial assets – noncurrent	-	(25,192)
Proceeds from disposal of long-term investments under equity method	-	259,220
Payment for purchase of long-term investments under equity method	(123,764)	(287,591)
Payment for purchase of financial assets carried at cost – noncurrent	-	(10,000)
Payment for purchase of property, plant and equipment	(3,335,544)	(3,317,300)
Proceeds from disposal of property, plant and equipment	2,607	298
(Increase) decrease in refundable deposit	(1,451)	214
Increase in restricted assets – noncurrent	(156)	(139)
Payment for purchase of intangible assets	(49,319)	(18,307)
Net cash used in investing activities	<u>(3,507,627)</u>	<u>(3,955,831)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(365,365)	-
Increase in long-term borrowings	4,017,000	1,899,000
Redemption of long-term borrowings	(1,606,610)	(1,185,544)
Payment of cash dividends	(513,291)	(518,874)
Issuance of common stock	303,680	3,028,928
Exercise of employee stock options	194,612	55,408
Net cash provided by financing activities	<u>2,030,026</u>	<u>3,278,918</u>
Effect on cash due to changes in exchange rate	<u>2,735</u>	<u>12,888</u>
Net increase in cash and cash equivalents	390,575	2,226,281
Cash and cash equivalents at the beginning of year	408,801	799,376
Cash and cash equivalents at the end of year	<u>\$ 799,376</u>	<u>3,025,657</u>
Additional disclosure of cash flow information:		
Interest paid (excluding capitalized interest)	<u>\$ 57,072</u>	<u>102,725</u>
Income tax paid	<u>\$ 151,399</u>	<u>193,382</u>

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
Supplemental schedule of non-cash investing and financing activities:		
Inventories reclassified to plant, property and equipment	\$ <u>65,912</u>	<u>69,312</u>
Other current assets reclassified to plant, property and equipment	\$ <u>174</u>	<u>363</u>
Other current assets reclassified to intangible assets	\$ <u>4,268</u>	<u>570</u>
Unrealized gain (loss) on financial instruments	\$ <u>(254,029)</u>	<u>189,070</u>
Translation adjustments	\$ <u>1,021</u>	<u>(1,422)</u>
Reclassification of current portion of long-term borrowings	\$ <u>1,007,672</u>	<u>1,650,185</u>
Purchase of property, plant and equipment		
Increase in property, plant and equipment	\$ 3,452,539	3,203,565
Add: payable on equipment — beginning of year	93,625	210,620
Less: payable on equipment — end of year	<u>(210,620)</u>	<u>(96,885)</u>
Cash paid	\$ <u>3,335,544</u>	<u>3,317,300</u>
Disposal of property, plant and equipment		
Disposal of property, plant and equipment	\$ 107	298
Add: other financial assets — current — beginning of year	<u>2,500</u>	<u>-</u>
Cash received	\$ <u>2,607</u>	<u>298</u>
Purchase of intangible assets		
Acquisition of intangible assets	\$ 38,471	14,692
Add: accrued expenses — beginning of year	15,335	4,487
Less: accrued expenses — end of year	<u>(4,487)</u>	<u>(872)</u>
Cash paid	\$ <u>49,319</u>	<u>18,307</u>
Disposal of long-term investments under equity method		
Disposal of long-term investments under equity method	\$ -	280,846
Less: other financial assets — current — end of year	<u>-</u>	<u>(21,626)</u>
Cash received	\$ <u>-</u>	<u>259,220</u>
Issuance of common stock		
Issuance of common stock	\$ 303,680	3,017,939
Add: Transaction cost of issuance of common stock recognized as accrued expense — end of year	<u>-</u>	<u>10,989</u>
Cash received	\$ <u>303,680</u>	<u>3,028,928</u>