Leading
Global Communications

win | SEMICONDUCTORS

WIN Semiconductors

Wireless • Information • Networking

Company Presentation

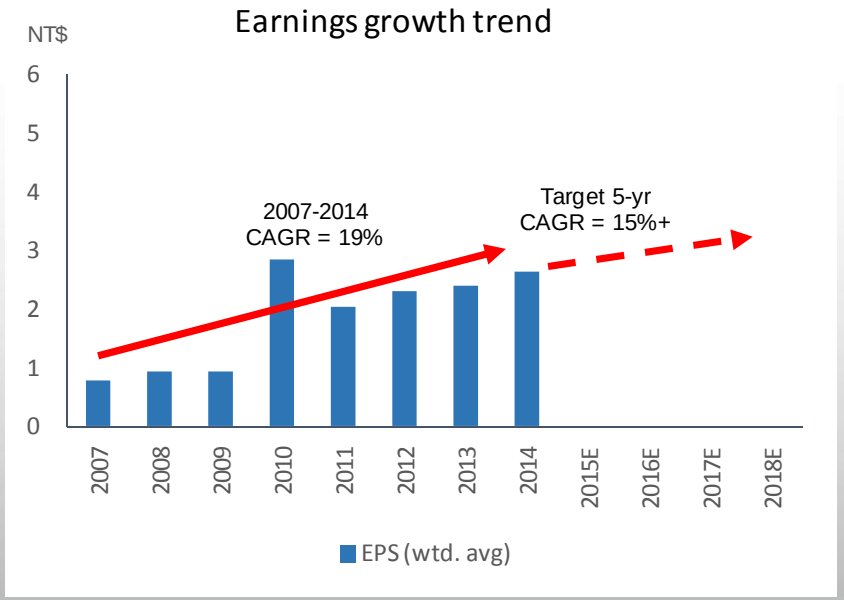
March 2015

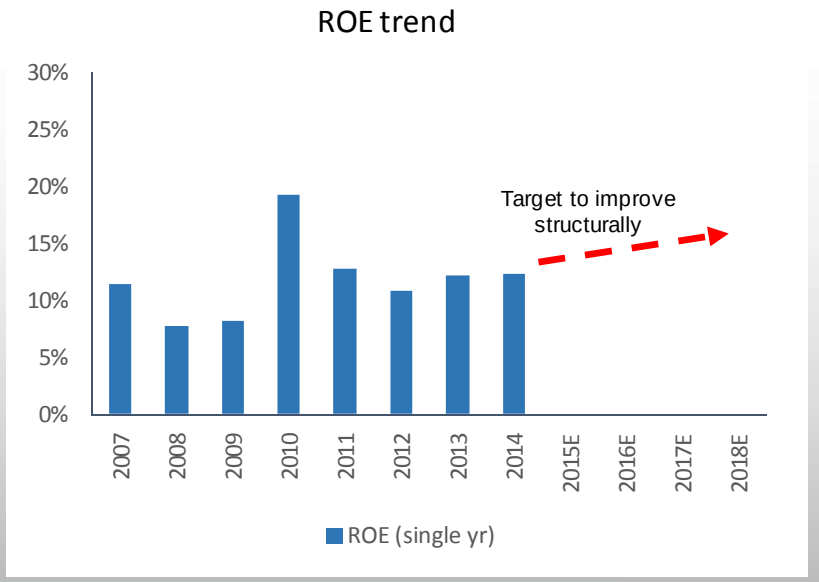
Safe Harbor Notice

- *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, cash flow maximization and cash dividend payouts.

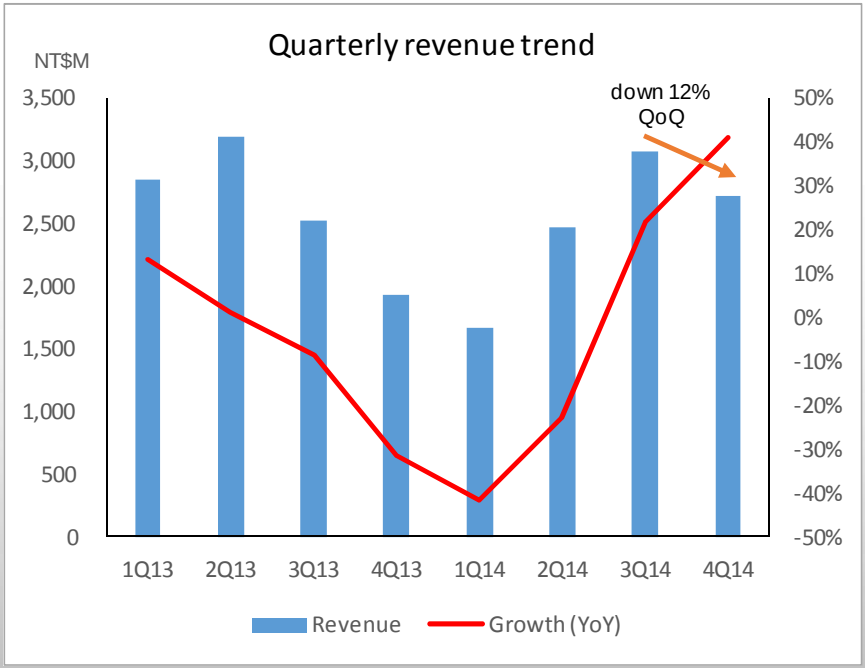
Outline

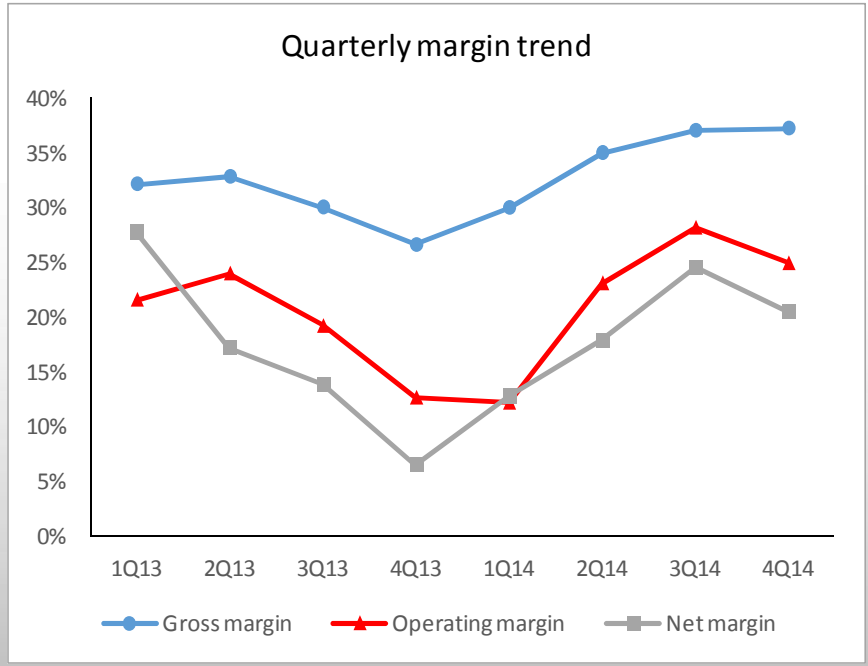
- ✓ Financial Review and Outlook
- ✓ Market Outlook
- ✓ The WIN Strategy
- ✓ Q&A

Financial Review and Outlook

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.

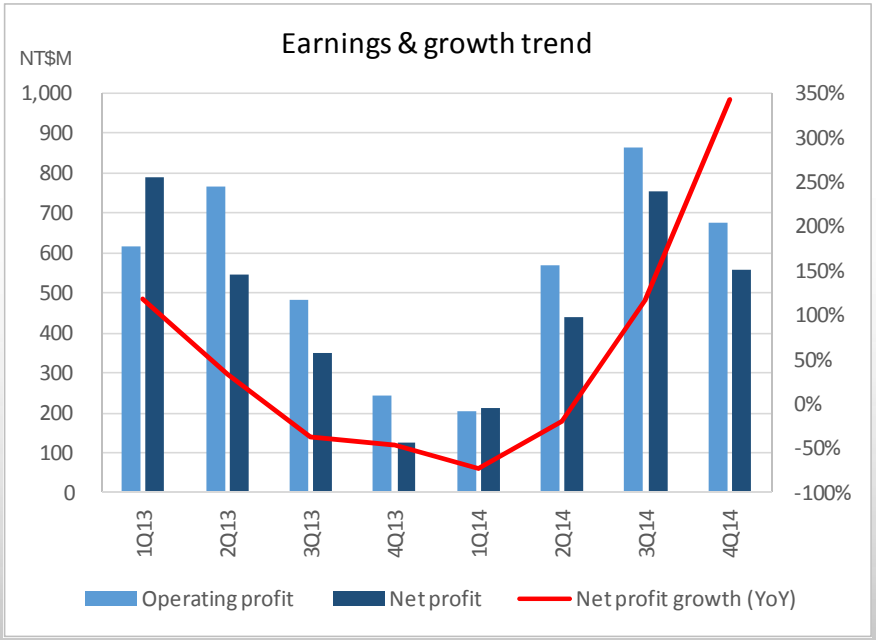


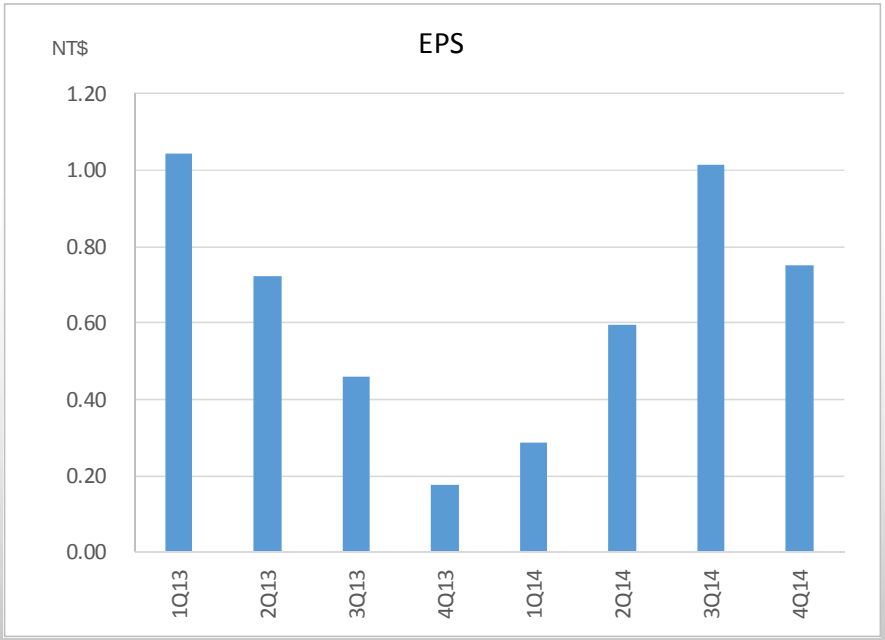


Source: Company.

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.

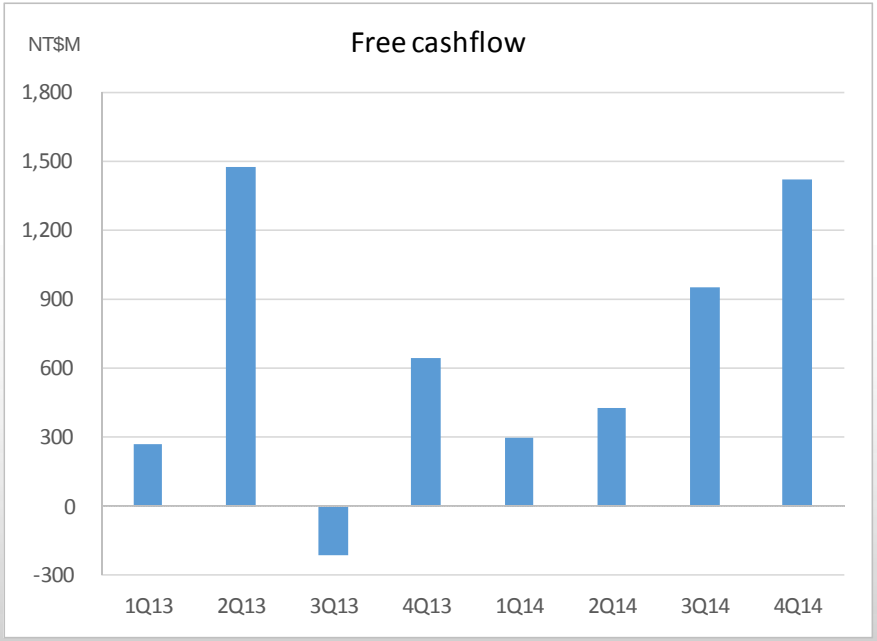


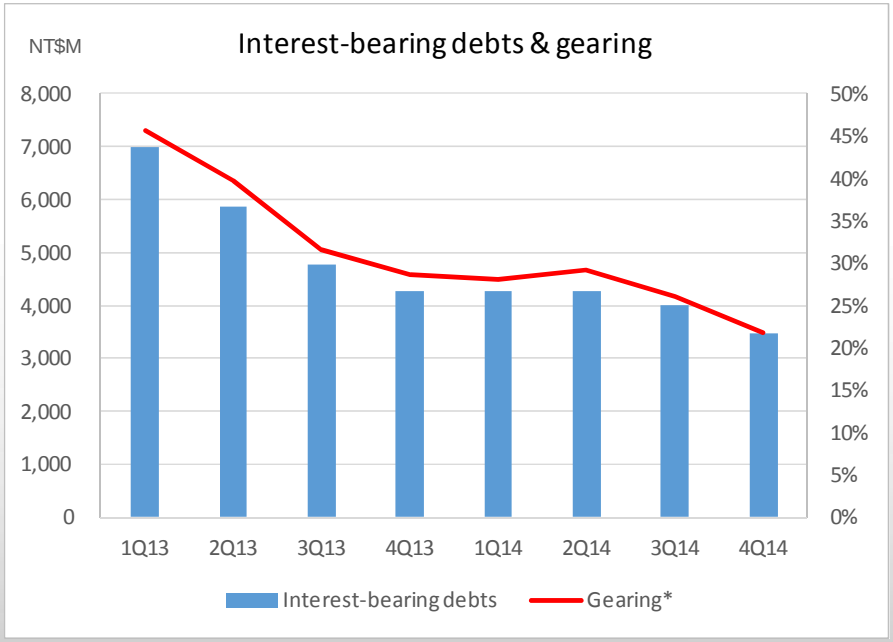


Source: Company.

FCF & Gearing Trend

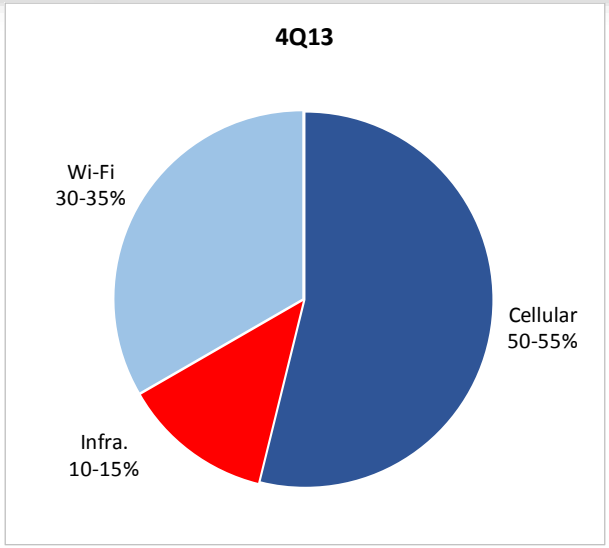
- Free cash flow (FCF) continued to be positive for the past 5 quarters as a result of our rigid control on capex and improvements in efficiency.
- Interest-bearing debts fell below NT$3.5bn and gearings declined to a historical low since listing, reinforcing our solid balance sheet position.

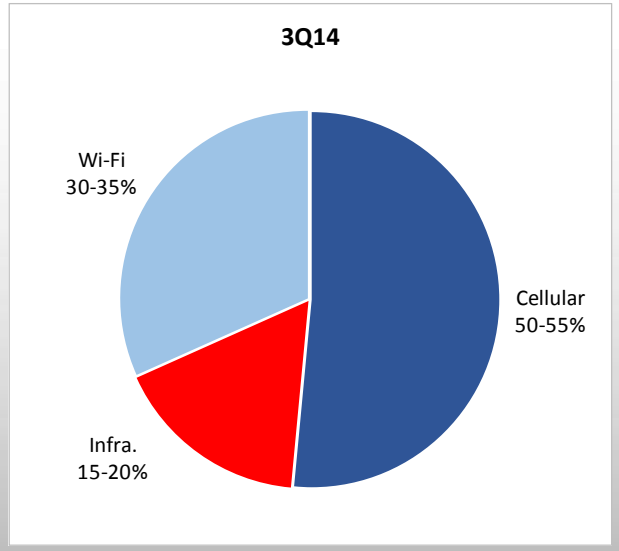


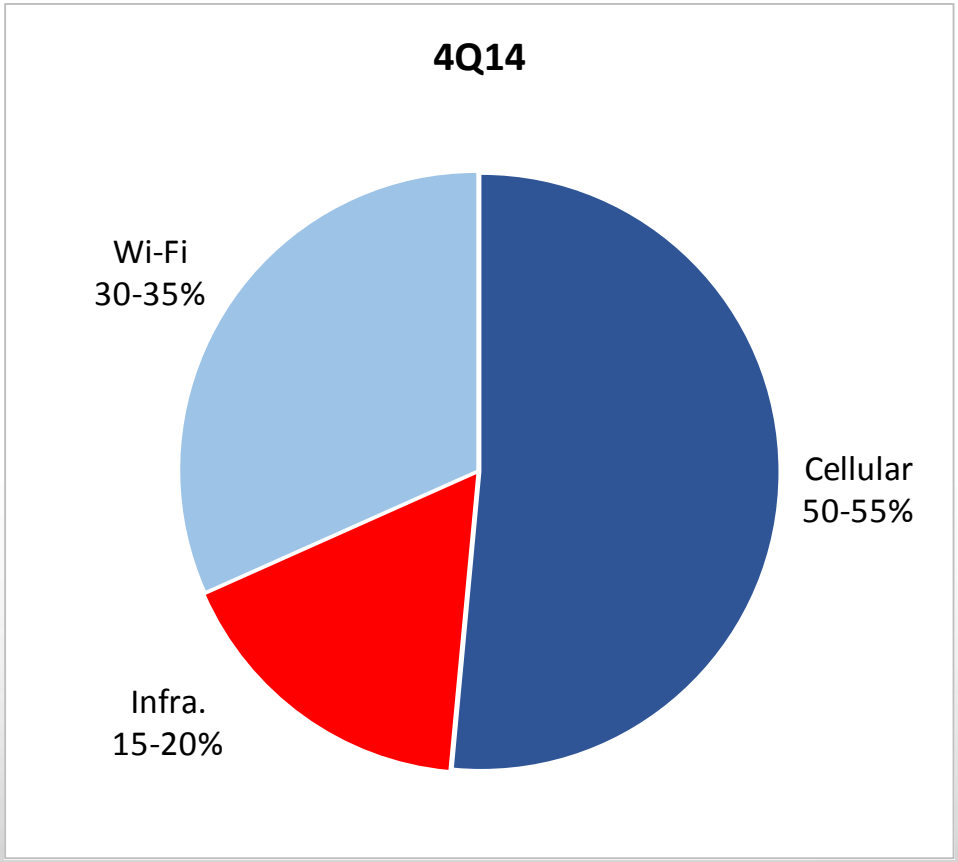


* Gearing = interest-bearing debts / equity
Source: Company.

Product Mix







Source: Company.

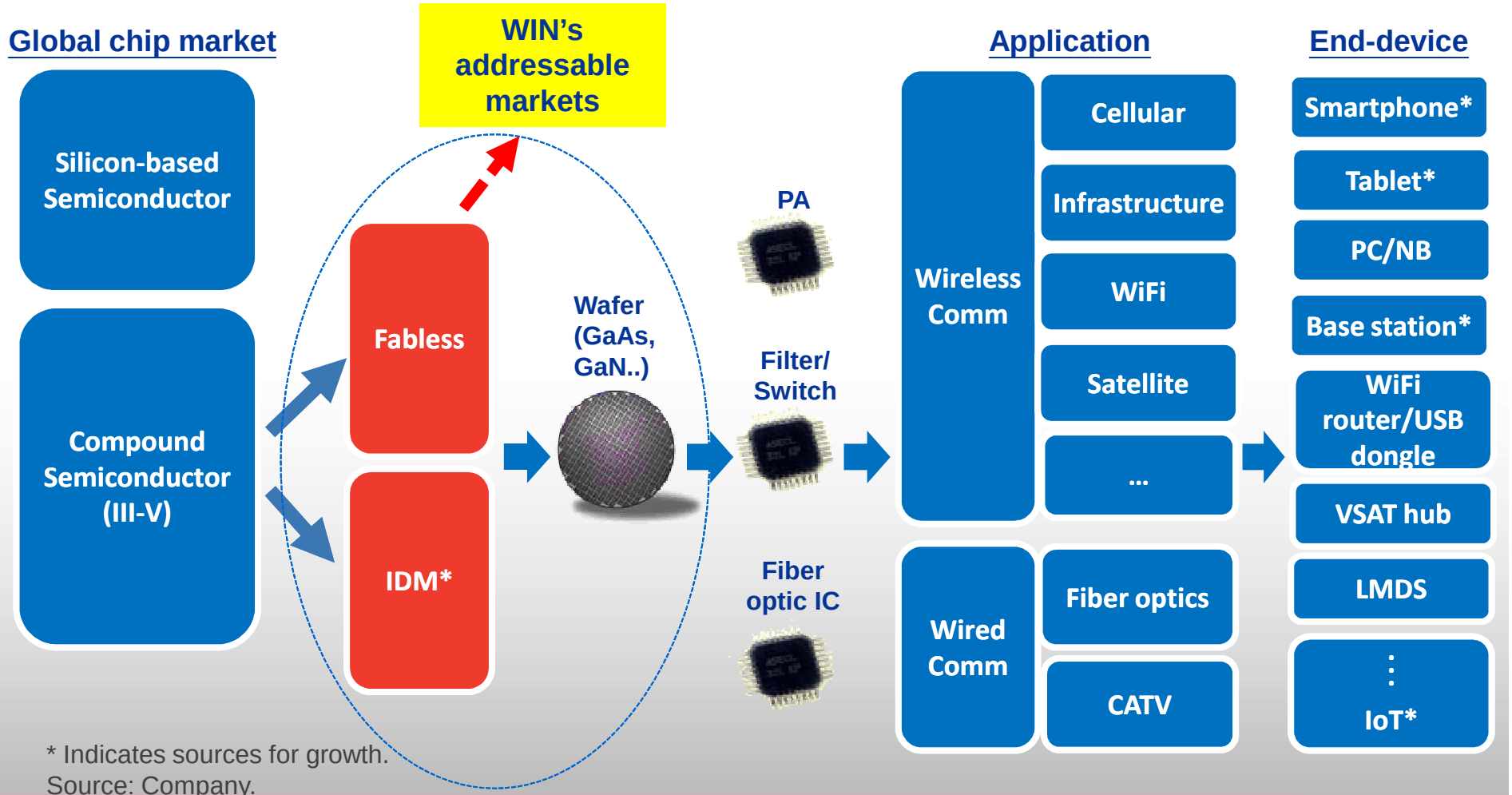
1Q15 Guidance

- 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.

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.



* Indicates sources for growth.
Source: Company.

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:

- Entry level smartphones replacing 2G feature phones
- 4G LTE launch
- 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:

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

Mid-Term:

- Wi-Fi 11ac MIMO for mid/low-end smartphones and routers
- Wi-Fi & 3G/4G for IoT
- Strong infrastructure growth

Long Term:

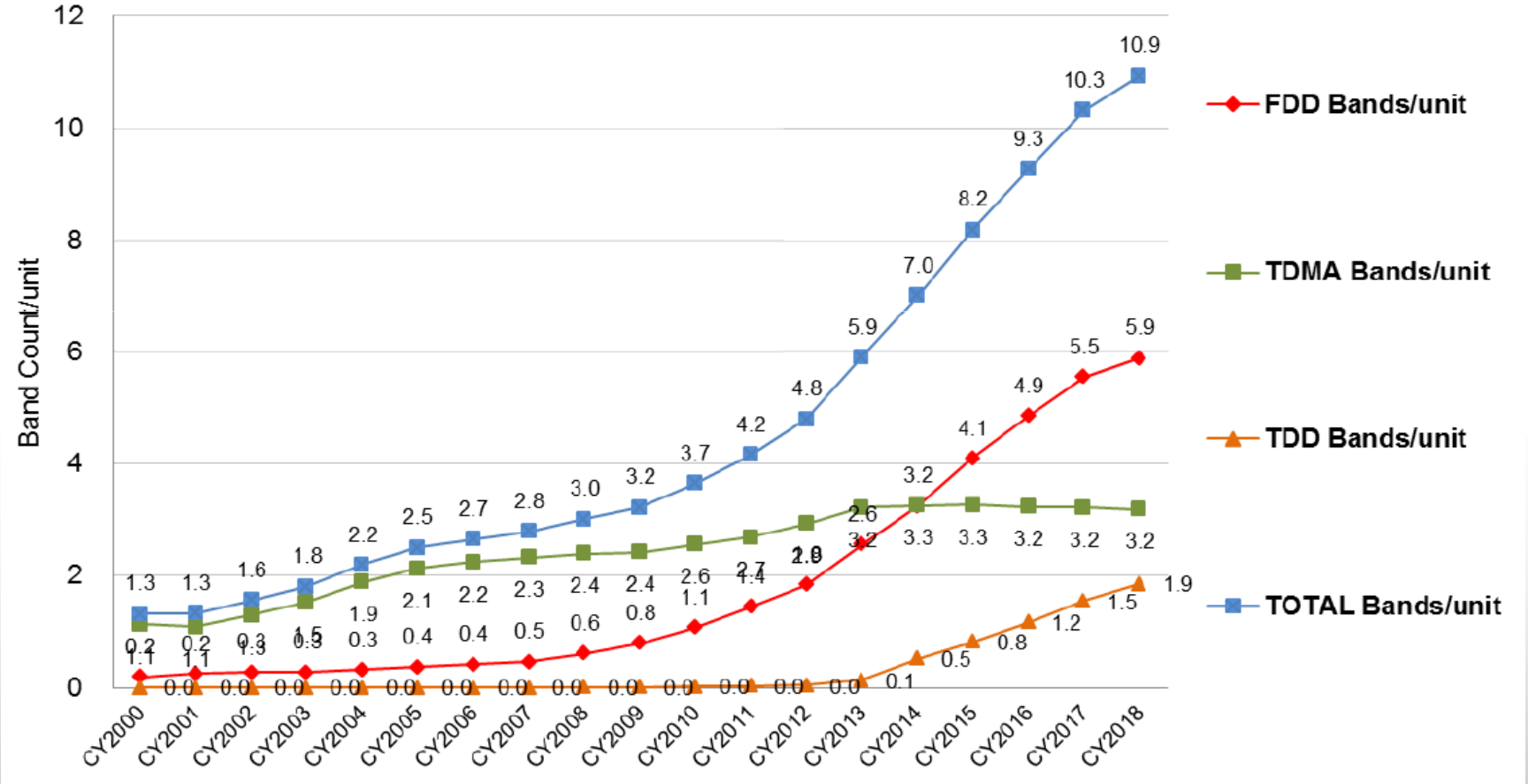
- Pre-5G launch (e.g. through broadband satellite, dense cells, …)
- 5G launch with massive IoT deployment

Near Term Momentum (2015)

- 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 demanding “five modes and 10 frequencies” is an example.
- Launch of new flagship smartphones.

4G/LTE Lifting Band Count per Device

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

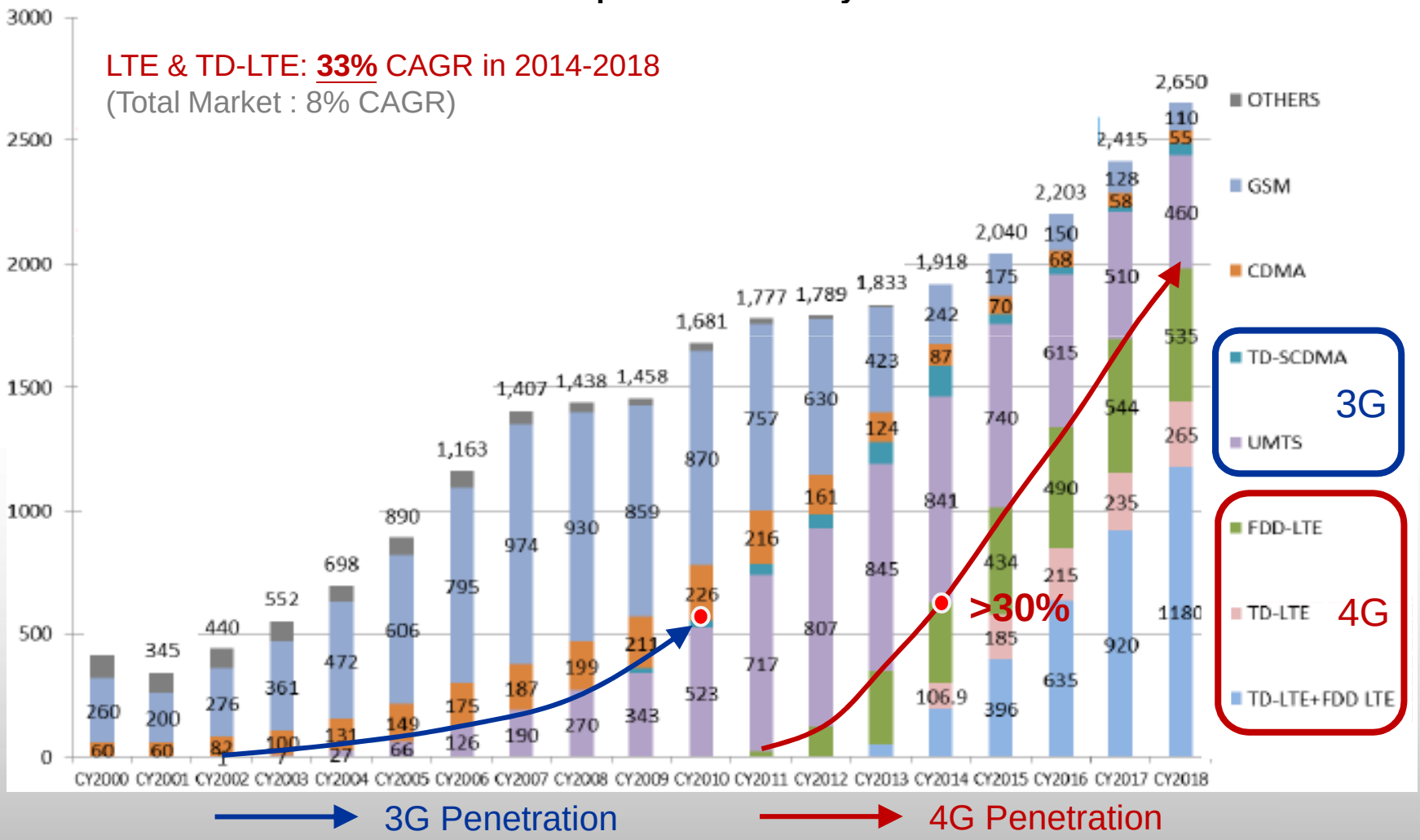


Note: TDD and FDD are two competing LTE data transmission standards
Source : Navian, RF Devices/Modules for Cellular, Dec. 2014

LTE Penetration on Track to Rise

Million units

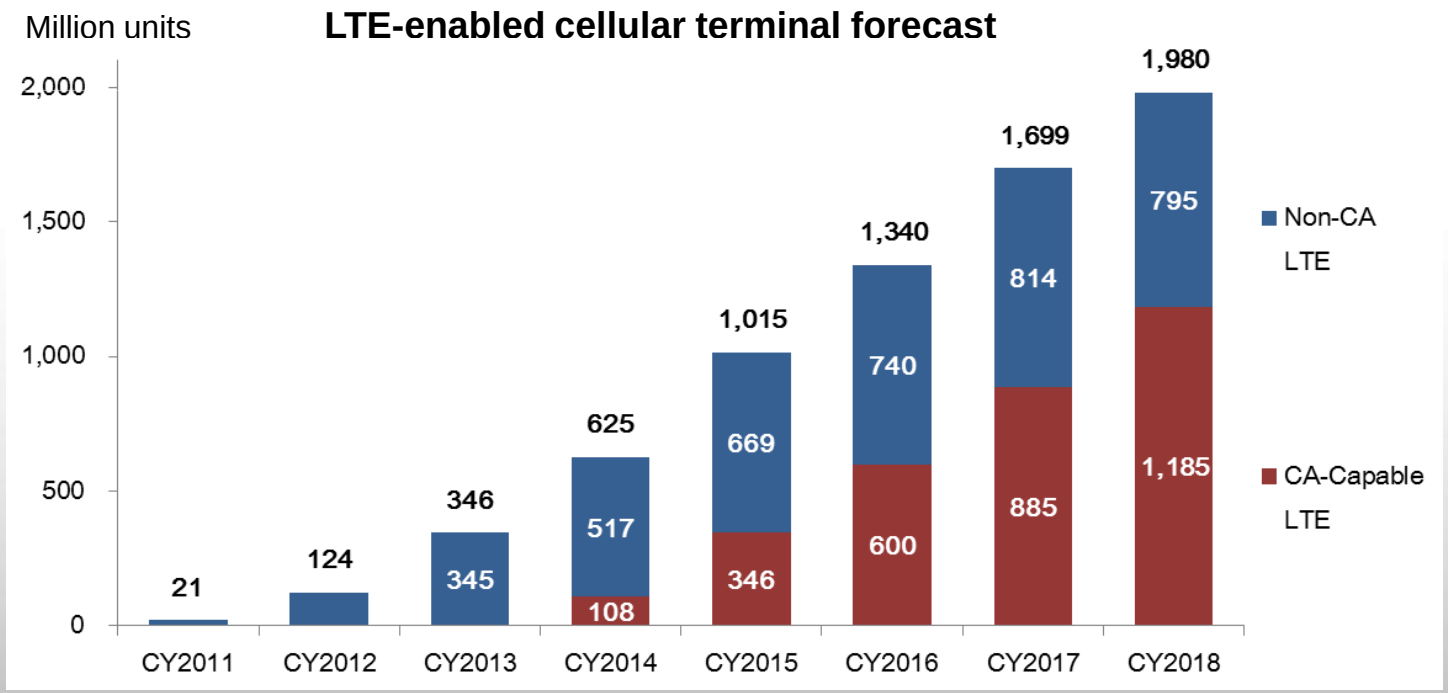
Cellular terminal shipment forecast by cellular standard



Source : Navian, RF Devices/Modules for Cellular, Dec. 2014

CA Supporting Demand for GaAs

- Carrier aggregation (CA) driven by LTE-A should support the demand 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 1,185M units in 2018 from 108M in 2014, representing the key driver to the overall LTE device growth.



Source : Navian, RF Devices/Modules for Cellular, Dec. 2014

Near/Mid-Term Momentum (2015~2018)

- Wi-Fi PA and FEM will generate a significantly 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.

GaAs Opportunities in IoT Wireless Connectivity

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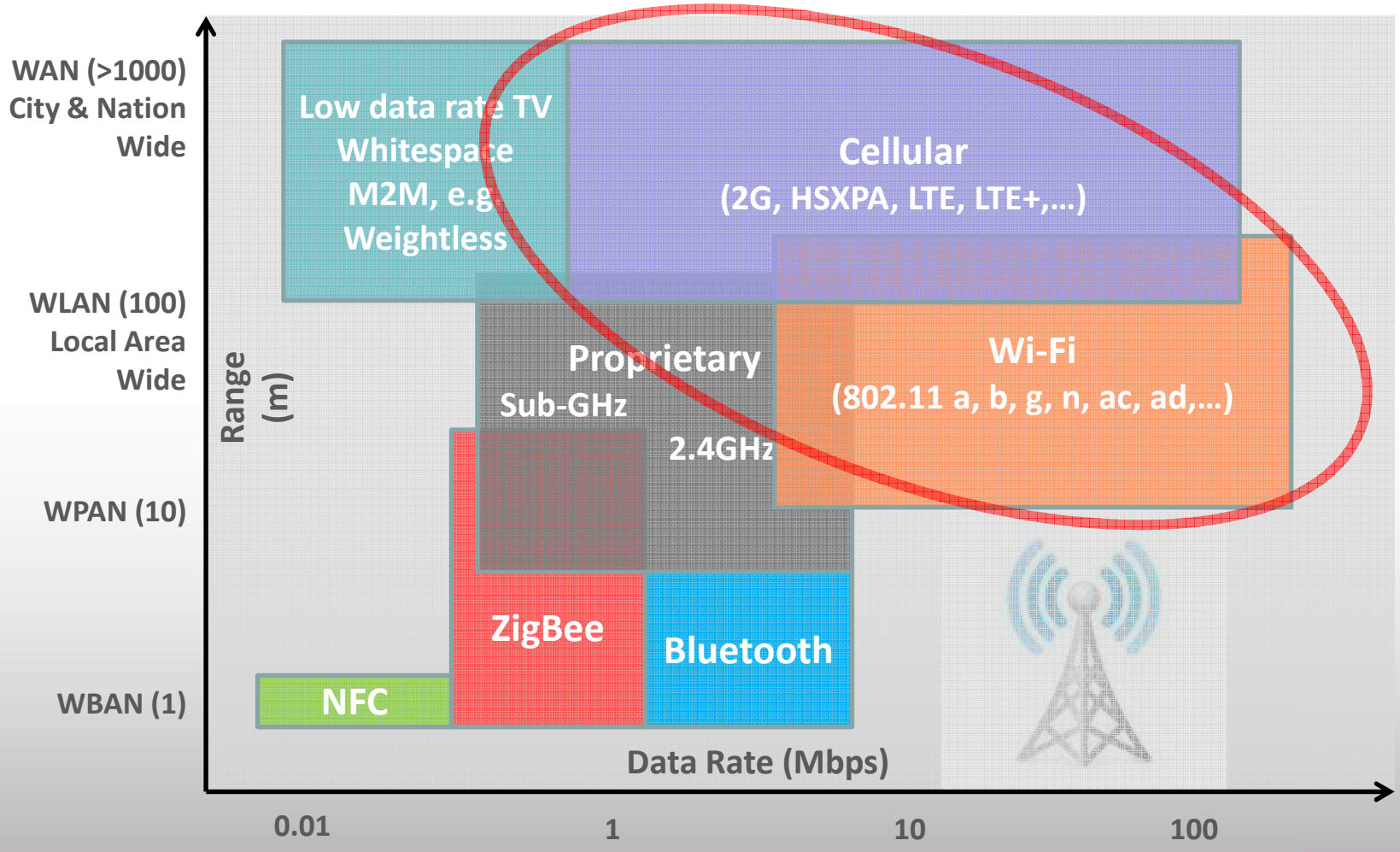
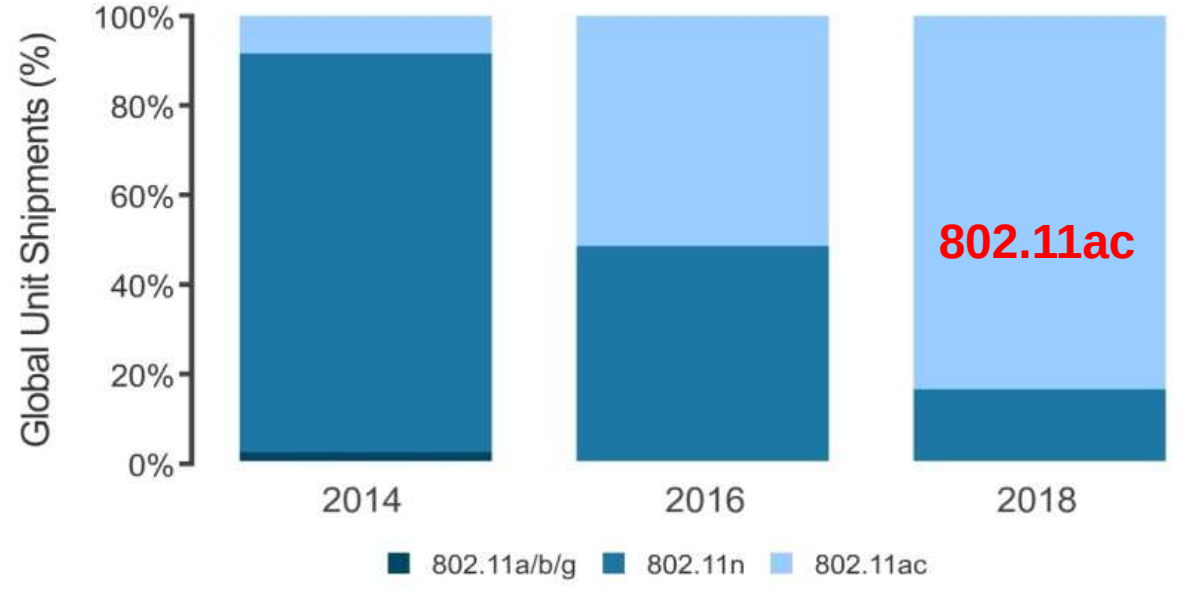
Today's Wireless Landscape



802.11ac Router Growth Trend (2014-18)

- Higher performance requirement in 802.11ac is a 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.

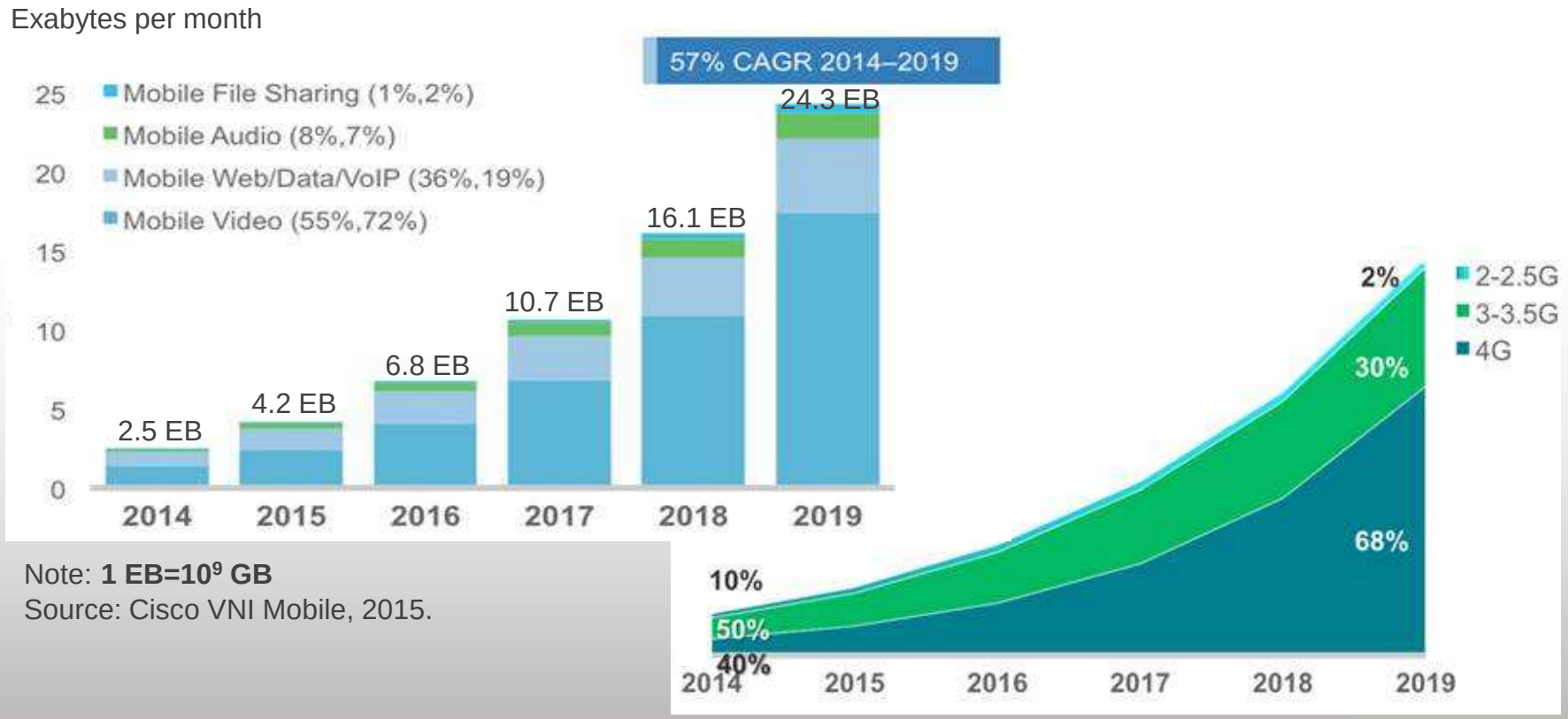
802.11ac access points expected to dominate the global WLAN market by 2018



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

Rising Demand for Mobile Data

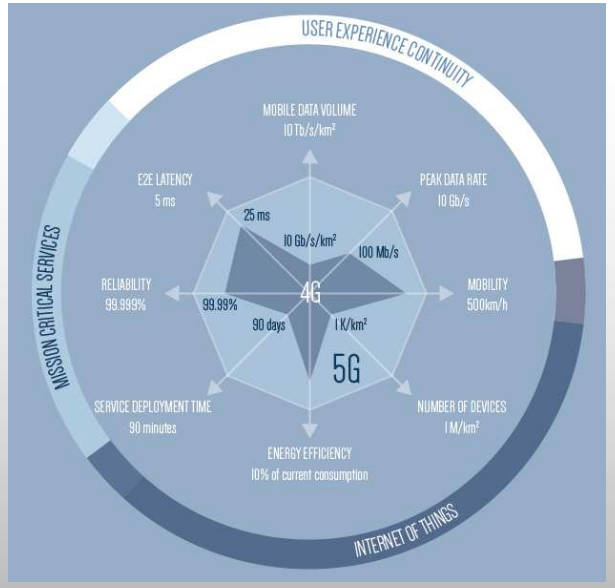
- Thanks to the constant bandwidth upgrades driven by mobile devices and 4G/LTE, demand for mobile data is rising rapidly where mobile video consumes the most bandwidth and grows the fastest for mobile data (the Big Data trend).
- Cisco forecasts 24.3 Exabytes per month of mobile data traffic by 2019.



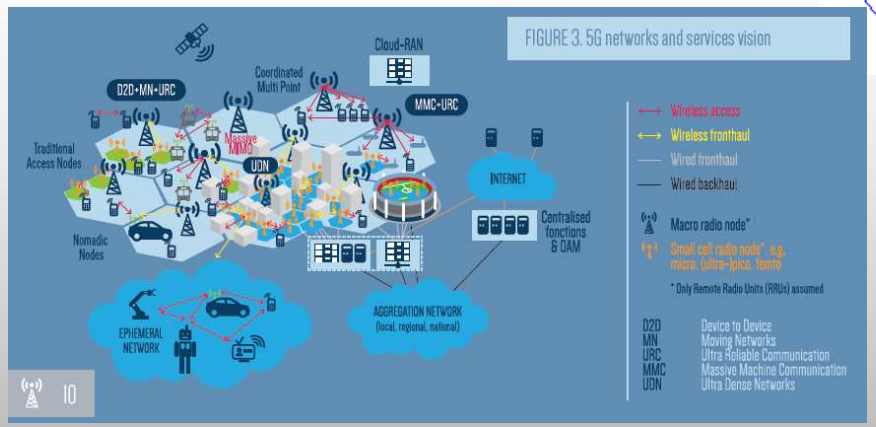
Note: **1 EB=10^9 GB**
Source: Cisco VNI Mobile, 2015.

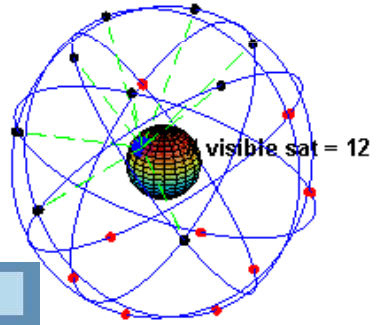
Long Term Momentum (2018~)

- 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





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

Q & A

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