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WIN Semiconductors Corp. Reports Fourth Quarter 2013 and Full Year 2013 Consolidated Results

- **4Q13 consolidated revenue NT$1,926 million, down 24% from previous quarter**
- **4Q13 consolidated gross margin 26.6%, down 3.4 percentage points from previous quarter**
- **4Q13 consolidated operating income NT$244 million , down 50% from previous quarter**
- **4Q13 consolidated net income NT$126 million; EPS NT$0.17**
- **2013 consolidated revenue NT$10,481 million; EPS of NT$2.40**

Win Semi. (GTSM: 3105), the global leader in GaAs foundry services, today reported fourth quarter 2013 results. Revenue for the quarter was NT$1,926 million, down 32% year-on-year and down 24% sequentially.

Gross profit for the fourth quarter of 2013 was NT$513 million, down 48 percent from NT$979 million in the fourth quarter of 2012 and down 32 percent sequentially. Gross margin for the fourth quarter was 26.6 percent, down 3.4 percentage points sequentially mainly due to lower utilization.

Operating income for the fourth quarter of 2013 was NT$244 million, down 64 percent from NT$683 million in the fourth quarter of 2012. Earnings per share for the fourth quarter was NT$0.17 compared to NT$0.27 for fourth quarter 2012 and versus NT$0.46 for third quarter 2013.

Full-year 2013 revenue reached NT$10,481 million, down 7% year-on-year, while 2013 gross profit reached NT$3,232 million, down 11% year-on-year and operating income reached NT$2,110 million, down 14% year-on-year. Earnings per share for 2013 were NT$2.40 vs. NT$2.31 in 2012.

"2013 was a challenging year, but 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." said Dr. YC Wang, Chief Executive Officer of WIN Semi.

2013 Business Highlights, and 2014 Outlook

In 2013, there were a number of external factors that negatively impacted demand:

- Expectations for high-end smartphone growth were too high in the first half of 2013, causing a substantial inventory adjustment in the second half of the year. Growth in

the smartphone market was strongest for mid-and-low-end models, which our major clients have less exposure to.

- GaAs-based pseudomorphic high-electron-mobility transistors (or pHEMT) for handset and WiFi frequency switching applications were increasingly replaced by silicon solutions in 2013, resulting in reduction in revenues from this source over the year before. This trend, driven by the needs of dense integration levels, was especially evident in the second half of the year.
- Handset makers adopted Multi-mode, Multi-band PA modules at a faster rate than we anticipated.
- The Die Shrink for last year's high-end smartphones was particularly aggressive, and power amplifier ASP pressure intensified during the inventory correction.

Though the issues mentioned above that negatively impacted our 2013 results will also affect business in 2014, however, the extent is expected to be significantly reduced. We remain optimistic on the long-term revenue growth outlook. Even after the coldest winter, sprouts of new growth will inevitably arise.

- In 2014, we expect the industry to return to more normal seasonality, reduced impact on our top line from the substitution of silicon-based solutions for pHEMT in frequency switching applications, and a moderation of die-shrink & ASP pressure. Additionally, we believe that a favorable demand impact from increasing penetration of LTE handsets will become more evident as the year progresses.
- We are also excited about our new, higher-margin products for non-handset applications. We expect these products to rise as a percentage of revenue this year, and to reach 20% of total revenues within the next 3-5 years (from the current 10%). A particularly promising product is GaN HEMT for LTE base stations – as silicon power MOSFETS are having increasing trouble supporting power transmission requirements.
- We continue to work with Asian-based clients in the handset space, and are encouraged by recent market trends. Several of these Asian clients are seeing their market share rise, especially in the China market.
- We believe that the IDM outsourcing trend will continue. Additionally, Win Semi's broad technology portfolio and manufacturing capabilities continue to advance, increasing our competitiveness.
- The most powerful trend in mobile computing is the rising amounts of data required by consumers. This rise in demand for mobile data is happening concurrently with reduced device size and lower power consumption requirements. Therefore, a premium will continue to be placed on PA performance.
- The number of frequency bands per handset continues to grow due to the launch of LTE.
- Other factors that should positively affect demand over the long term include LTE-A carrier aggregation and the Internet of Things.

- Looking beyond 4G, 5G data transmission speeds are 100x faster than 4G LTE. So far, only GaAs PAs can handle the increased data transmission speeds of 5G. Additionally, the cost-to-performance gap between GaAs and silicon in power amplifier applications continues to widen, not narrow.

About WIN Semiconductors Corporation

WIN Semiconductors Corporation is the leading global provider of pure-play GaAs wafer foundry services for the wireless, infrastructure and networking markets. WIN provides its foundry partners with a diverse portfolio of Hetero-junction Bipolar Transistor (HBT) and Pseudomorphic High Electron Mobility Transistor (pHEMT) and BiHEMT process platforms that support leading edge products for applications from 50 MHz to 100 GHz. Custom products built by WIN Semiconductors Corporation are found in a vast array of markets, including smartphone, mobile infrastructure, optical communications, CATV and automotive applications.

For more than 14 years, WIN has provided foundry services from its state of the art, ISO9001/14001 certified 150mm GaAs facility headquartered in Tao Yuan county, Taiwan. This multi-site manufacturing facility has more than 1400 employees and provides WIN customers with a diverse array of device technology platforms and value added services, including DC/RF product testing, Cu wafer bumping and turn-key packaging solutions for accelerated product development.