



**MACRONIX  
INTERNATIONAL Co., LTD.**

**2009 Annual General Shareholders' Meeting**

# **MEETING AGENDA**

**(Translation)**

June 10, 2009

# MEETING AGENDA

Date : 9:30 a.m., June 10, 2009

Venue : Room101, Association of Industries in Science Parks

(No.2, Prosperity Rd.1, Science Park, Hsinchu, Taiwan, R.O.C.)

Chairman : Chairman of the Board of Directors , Miin Chyou Wu

## I. Speech by Chairman

## II. Report Items

1. Report of 2008 business
2. Supervisors' review report of 2008
3. Report of the status of shares redemption
4. Other report

## III. Ratification Items

1. Ratification of 2008 Business Report and Financial Statements
2. Ratification of the proposal of 2008 earnings distribution

## IV. Discussion Items

1. Approval of the capitalization of stock dividends
2. Approval for the termination of the supervisors and the establishment of the Audit Committee
3. Approval of amending internal policies and rules
  - A. Procedures for Lending Funds to Other Parties
  - B. Procedures for Endorsement and Guarantee
4. Approval of public offering and/or the private placement of securities
5. Approval for removing the competition restrictions

## V. Other agenda and Special resolution

## VI. Meeting adjourned

# Report items

Item 1. Report of 2008 business

Explanation : The 2008 business report is as attached. (Attachment 1).

Item 2. Supervisors' review report of 2008

Explanation : Supervisors' review report of 2008 is as attached. (Attachment 2)

Item 3. Report of the status of shares redemption

Explanation :

| <b>Term</b>  | <b>The first redemption in 2008</b>  |
|--|--|
| Date of the board of directors resolution  | 2008/10/8 and 2008/10/29   |
| Purpose of the redemption  | To maintain the Company's credit and shareholders' net worth   |
| Projected redemption number  | 200,000,000 shares   |
| Projected redemption period  | NT\$6.87 ~ NT\$12.89   |
| Actual redemption period   | 2008/10/28 ~ 2008/11/21  |
| Actual redemption number   | 2,813,000 shares   |
| Ratio of the number of redeemed shares to the total number of the Company's outstanding shares | 0.09%  |
| Total redemption amount  | NT\$21,707,550   |
| Average redemption price/per share   | NT\$7.72   |
| Number of shares cancelled   | 2,813,000 shares   |
| Reason for non-completion of the share repurchase at expiry of the repurchase period           | In consideration of the uncertainty of the economic development, the overall interests of shareholders as well as the efficiency of capital usage, the Company is unable to complete the plan. |

Item 4. Other Report

# **Ratification items**

ITEM 1 (Proposed by the Board of Directors)

Proposal : Ratification of 2008 Business Report and Financial Statements

Explanation : 1. The Financial Statements and Consolidated Financial Statements of 2008 have been audited by Deloitte & Touche, the Company's Independent Auditor, and approved by the thirteenth meeting of the 7th term of the Board of Directors. The Board of Directors has forwarded 2008 Business Report and Financial Statements to supervisors for their auditing. Supervisor Audit Report is as attached. (Attachment 2)

2. The 2008 Business Report and Financial Statements are as attached. (Attachment 1)

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : The proposal of 2008 earnings distribution.

Explanation : 1. The Company's net income after tax as of December 31, 2008 is NT\$4,514,603,521.

The distributable earnings shall be NT\$4,240,260,561, i.e., the balance after deducting NT\$ 451,460,352 (the 10% legal reserve), plus NT\$177,117,392 (the undistributed retained earnings of previous years).

2. The appropriation of distributable earnings for shareholders shall be NT\$3,437,865,330. Each shareholder will be entitled to receive a cash dividend of NT\$0.7 per share and a stock dividend of 40 shares for each 1,000 shares held by such shareholders. The actual cash dividend paid for each shareholder will subtract the fractional cash which is less than one dollar. Such fractional cash will be recorded as the Company's other income. If the stock dividends include any fractional shares which are less than one share, the shareholders concerned may arrange for pooling together their fractional shares to form one share and register the share within 5 days after the starting date of book closure period for distribution. For the fractional shares which were not pooled during the above period, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares may be subscribed by persons designated by the Chairman as authorized by the shareholders' meeting ("AGM").
3. The total amount of the outstanding common shares may vary and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly in the event that the Company subsequently redeems its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed to AGM for authorizing the Board of Directors to adjust the cash and stock to be distributed to each common share based on the number of actual common shares outstanding on the record date for distribution.
4. It is proposed to AGM for authorizing the Board of Directors to determine a record date for distribution of cash dividend.
5. The proposal of 2008 earnings distribution is as attached. (Attachment 3)

Resolution :

## Discussion items

ITEM 1 (Proposed by the Board of Directors)

Proposal : Approval of the capitalization of stock dividends

Explanation : 1. For financial planning, the appropriation of distributable earnings for stock dividends to shareholders shall be NT\$1,250,132,850 for the issue of 125,013,285 common shares at par value.

2. The shareholder's rights and/or obligations of the above newly issued shares shall be the same as those of the existing shares.

3. It is proposed to submit for AGM's approval for authorizing the Board of Directors to determine the record date for distribution of the new shares after obtaining the approval of the governmental authority.

4. The AGM is hereby proposed to authorize the Board of Directors to determine a record date for distribution of new shares after approval from governmental authority in charge.

5. As of April 12, 2009 (the first day of book-close period for registration of share transfer before the Annual General Shareholders' Meeting), the number of exercisable shares of employee stock options ("ESO") outstanding is approximately 235,585 thousand shares. Pursuant to the Company's Procedures of the Issuance of Employee Stock Options and Subscription of Issued Shares, the number of outstanding ESO will be adjusted accordingly. It is estimated that the number of additional ESO are around 9,423 thousand shares. Since the additional ESO are issued in proportion to the stock dividend distribution rate, it shall have no material impact to the net worth of shareholders. Also, there are sufficient common shares reserved in the Articles of Incorporation for the additional shares to be issued under the ESO.

Resolution :

ITEM 2 (Proposed by the Board of Directors)

Proposal : Submitted for the termination of the supervisors as well as establishing the Audit Committee.

Explanation : 1. Up to date, the shareholdings of the supervisors remain insufficient. In order to prevent negative impact to the Company, it is hereby proposed to establish the Audit Committee to substitute the supervisors pursuant to Article 14-4 of Securities Exchange Act.

2. Considering that a public company may only have “supervisors” or “audit committee”, it is hereby proposed to submit to the shareholders’ meeting for the termination of the supervisors as well as the establishment of the Audit Committee to be effective immediately after the 2009 AGM is adjourn.

3. Pursuant to Article 4 of the “Regulations Governing Content and Compliance Requirements for Shareholders’ Meeting Agenda Handbooks of Public Companies”, the name of the supervisors, their respective shareholdings, and the causes of termination shall be identified in the AGM manual, it is therefore proposed to use the record date of 2009 AGM for purpose of calculating the shareholdings of the supervisors, and identify the cause of the termination being the “establishment of Audit Committee” and respective names and shareholdings of the supervisors as below:

| <b>Names</b>  | <b>Shareholdings</b> |
|---|----------------------|
| Ping Tien Wu  | 0 share              |
| Stacey Lee  | 0 share              |
| NewSoft Technology Corporation Representative: David Lo | 308,324 shares       |

Resolution :

ITEM 3 (Proposed by the Board of Directors)

Proposal : Approval of amending internal policies and rules pursuant to the amendments of the applicable laws and the Company's needs

Explanation : 1. The amended rules and the comparison chart of the Procedures for Lending Funds to Other Parties is as attached. (Attachment 4)

2. The amended rules and the comparison chart of the Procedures for Endorsement and Guarantee is as attached. (Attachment 5)

Resolution :



ITEM 4 (Proposed by the Board of Directors)

Proposal : Approval of fund raising by issuance of new shares, and/or issuance of overseas Depositary Receipts through cash capital increase, and/or the private placement of common shares, and/or the private placement of domestic or overseas Convertible Bonds ( “Plan ” ).

Explanation : 1. For the Company’s future business needs, it is hereby proposed for the capital increase, including domestic rights offering(s), the issuance of new shares for the depositary receipts through cash capital increase, and/or the private placement of common shares; and/or the private placement of domestic and/or overseas convertible bonds, to the extent of 1.5 billion common shares (collectively and/or individually “Offering(s)”). It shall also be proposed to the AGM for authorizing the Board of Directors to select any and/or all of the Offering(s) taking into consideration then market conditions and/or the Company’s needs.

1-1 Cash capital increase by issuance of new shares

(1) Pursuant to the Article 267 of the Company Act, it is hereby proposed to reserve 10% of the offered shares for the subscription of employees, with the remaining to be offered in public in accordance with Article 28-1 of the Securities and Exchange Act and through public subscription or book building.

A. Public subscription: 10% of the newly offered shares (“Shares”) will be through public offering, with the remaining 80% of the Shares to be subscribed by shareholders recorded on the record date of such Offering. The shareholders concerned may arrange for pooling together their fractional shares to form one share and register the share within 5 days after the record date of said Offering.

B. Book building: 90% of the Shares will be offered to the public, and therefore, existing shareholders shall waive their preemptive rights for the Shares.

(2) The price of the Shares (“Price”) will be set in accordance with the Chinese Securities Association Governing Securities Underwriters for Offering and Issuance of Securities by Securities Issuers and related rules. It is hereby proposed to the AGM for authorizing the Chairman to negotiate with the underwriters and determine the Price taking into consideration of then current market conditions.

(3) With respect to the shares not yet subscribed during the specified period, it is proposed to the AGM for authorizing the Chairman to approach and/or designate certain person for the subscription of the offered shares at the Price.

(4) It is hereby proposed to the AGM for fully authorizing the Chairman to determine the record date of the Offering(s), the record date of the new shares issued, and fully authorized to handle related affairs after obtaining the approval from governmental authority.

## 1-2 Issuance of overseas Depositary Receipts through cash capital increase

- (1) Pursuant to the Article 267 of the Company Act, it is hereby proposed to reserve 10% of the shares to be offered for the subscription of the employees, with the remaining 90% of the shares to be offered to public in accordance with Article 28-1 of the Securities and Exchange Act as the underlying common shares of overseas Depositary Receipts.
- (2) The price of the above overseas Depositary Receipts (“DR Price”) will be set in accordance with the Chinese Securities Association Governing Securities Underwriters for Offering and Issuance of Securities by Securities Issuers and related rules. It is hereby proposed to the AGM for authorizing the Chairman to negotiate with the underwriters and determine the DR Price taking into consideration of then current international market conditions, as well as the market price of common shares. The above price setting arrangement shall be reasonable.
- (3) Also, although shareholders’ interests will be diluted by the additional new shares issued, it shall have positive impacts to the shareholders since the capital increase may strengthen the financial structure of the Company, reduce its interest payments or the costs its business operation, and/or respond in time to the changes of then current industry environment. In sum, the capital increase will enhance the Company's competitiveness and profit, and indirectly benefit the shareholders.
- (4) It is proposed to the AGM for authorizing the Chairman to approach and/or designate certain person for the subscription of the reserved shares for the employee not yet subscribed, and/or included such unsubscribed shares to the underlying common shares of the overseas Depositary Receipts taking into consideration of then current market conditions.
- (5) It is hereby proposed to the AGM for fully authorizing the Chairman or his designee to handle the related affairs and to represent the company to sign any contract and/or related documents.

## 1-3 The private placement of common shares

- (1) The basis and rationality of determining the price of the private placement:  
The price of the privately placed shares shall be no less than 80 percent of the simple average closing price of the Company’s common shares for either the one, three, or five business days immediately preceding the price setting date, with adjustment for any distribution of stock and cash dividends. It is hereby proposed to AGM for authorizing the Board of Directors to determine the price. ( For example, the price would be NT\$10.17 per share, i.e. 80 percent of the simple average closing price of the Company’s common shares for five business days immediately precedes the provisional price setting date, i.e. Mar. 13, 2009.) Considering that the privately placed shares have a three-year

transfer restriction as required by Securities and Exchange Act and that the price will be set by referring to the market price of common shares, the price setting arrangement shall be reasonable.

- (2)The method of selecting the specified subscribers: The Company will select the specified subscribers in accordance with Article 43-6 of Securities and Exchange Act.
- (3)The necessity of private placement: In consideration of market conditions, fund raising efficiency, costs of the offering(s) as well as equity stabilizing, private placement is hereby adopted as a fund raising mechanizes. The use of proceeds of such private placement is for the Company operation and development. It is for benefit of the shareholders as well as steadily growth of the Company.
- (4)Except for the transfer restriction as provided under Article 43-8 of Securities and Exchange Act, the rights and obligations of the privately placed common shares is the same as the outstanding common shares.

#### 1-4 The private placement of domestic and/or overseas Convertible Bonds

- (1)The amount of the private placement of domestic or overseas Convertible Bonds shall be calculated by the projected convertible shares and price.
- (2)The basis and rationality of determining the price of the private placement: The convertible price of the privately placed Convertible Bonds shall be no less than 80 percent of the simple average closing price of the Company's common shares for either the one, three, or five business days immediately preceding the price setting date, with adjustment for any distribution of stock and cash dividends. It is hereby proposed to AGM for authorizing the Board of Directors to determine the convertible price. ( For example, the convertible price would be NT\$10.17 per share, i.e. 80 percent of the simple average closing price of the Company's common shares for five business days immediately precedes the provisional price setting date, i.e. Mar. 13, 2009.) Considering that the privately placed securities have a three-year restriction as required by Securities and Exchange Act and referring to the market price of common shares, the convertible price setting arrangement shall be reasonable.
- (3)The method of selecting the specified subscribers: The Company will select the specified subscribers in accordance with Article 43-6 of Securities and Exchange Act.
- (4)The necessity of private placement: In consideration of market conditions, fund raising efficiency, costs of the offering(s) as well as equity stabilizing, private placement is hereby adopted as a fund raising mechanizes. The use of proceeds of such private placement is for the Company operation and development. It is for benefit of the shareholders as well as steadily growth of

the Company.

(5)The transfer restriction of the privately placed Convertible Bonds is in accordance with Article 43-8 of Securities and Exchange Act.

(6)It is hereby proposed to the AGM for fully authorizing the Chairman or his designee to handle related affairs and to represent the company to sign any contract and/or related documents.

2. It is proposed to the AGM for authorizing the Board of Directors to determine the details of the offering(s), including the number of shares to be issued, the offering plan, the conversion rules, the projected items, the projected schedule for the use of proceeds, the projected results and related matters, in accordance with applicable rules taking into consideration then market conditions as well as the Company's business need.
3. It is hereby proposed to AGM for authorizing the Board of Directors to follow-up and/or handle any adjustment, revisions and/or amendments may be triggered by the amendment of law, the opinion or comments of the authority, and/or then market conditions.
4. The Company may offer and issue its common shares under par value. The shares may be offered and subscribed depending upon the Company's business needs, the urgency of the capital needs, the feasibilities of the fund raising and referring the Company's closing price of common shares, net worth per share, as well as the Company's business.

Resolution :

ITEM 5 (Proposed by the Board of Directors)

Proposal : Approval of removing the non-competition restriction on the identified directors.

Explanation : 1. In compliance with Article 209 of Company Act, i.e. “a director who does anything for himself or on behalf of another person that is within the scope of the Company’s business, shall explain to the meeting of shareholders the essential contents of such acts for the approval”.

2. The director who serves in any new position for himself or on behalf of other(s) which may be deemed as within the scope of the Company’s business are as below:

| <b>Title of MXIC</b> | <b>Name</b>   | <b>Title of other company</b>  |  |
|----------------------|---|--|--|
| Chairman             | Miin Chyou Wu   | Mxtran Inc.<br>MXB Inc.<br>Macronix (Asia) Limited Korea Branch<br>Macronix (Asia) Limited Japan Branch  | President<br>Director<br>Nominee<br>President  |
| Director             | Cheng Yi Fang   | AVNET ASIA PTE LTD   | Regional President   |
| Director             | Dang-Hsing Yiu  | Infomax Communication Co., Ltd.<br>INFOMAX COMMUNICATION (SUZHOU) CO., LTD.<br>Da-Hong Investment Inc.<br>INFOMAX HOLDING CO., LTD.<br>INFOMAX HOLDING COMPANY LIMITED   | President<br>Chairman&President<br>Director<br>Director<br>Director                                      |
| Director             | C.Y. Lu   | Macronix Europe NV.  | Director   |
| Director             | Fu-Long Ni  | Macronix (Hong Kong) Co., Ltd.<br>Macronix Europe NV.<br>Macronix Pte. Ltd.  | Director<br>Chairman<br>Director   |
| Director             | J.P. Peng   | Gateway Silicon Inc.   | President  |
| Director             | Wen-Sen Pan   | Macronix (Hong Kong) Co., Ltd.<br>Macronix Pte. Ltd.   | Director<br>Chairman   |
| Director             | Champion Investment Corporation<br>Representative:<br>Ding-Hua Hu | ZyXEL Communications Corporation<br>ZOWIE Technology Corporation<br>Champion Consulting Corporation<br>Chien Pang Vacuum Capital Corporation<br>Applied Vacuum Coating Technologies Co., Ltd.<br>Honpang Venture capital Corporation<br>Industril Technology Investment Corporation<br>Giga Solution Tech. Co., Ltd.<br>Ming Li Investment Corporation | Director<br>Director<br>Chairman<br>Chairman<br>Director<br>Chairman<br>Director<br>Chairman<br>Director |
| Director             | Hui Ying Investment Ltd.<br>Representative:<br>C.L Liu            | DRAMeXchange Tech. Inc.<br>United Microelectronics Corp.<br>Anpec Electronics Corporation<br>Mototech Inc.<br>CMSC, Inc.   | Chairman<br>Independent director<br>Independent director<br>Independent director<br>Director             |

Resolution :

## **Other agenda and Special Motion**

**Meeting Adjourned**

## **Attachment 1**

### **2008 Business Report**

By continuously strengthening management quality, and focusing on management and advanced operational strategies, Macronix quickly achieved the goals of elevating production, establishing an excellent cost structure, opening up new business, and strengthening customer relations. These efforts allowed us to deliver surprisingly good profit results even among the global economic downturn. In 2008 total income was NT\$23.258 billion, a decline of 4% vs. the previous year; net profit after taxes was NT\$4.515 billion, down 3% from the previous year; and earnings per share were NT\$1.45, down 6% from the previous year. But if employee bonus distribution is included, our after-tax profit in 2008 was NT\$5.161 billion, an annual increase of 11%, and earnings per share were NT\$1.66, up 9%. This shows that Macronix has achieved excellent operating results as far as cost structure and spending restraint.

Through the quick elevation of our production technology and refinement of product design, our operating results grow each quarter. Gross margin of 2008 was 43%, and operating profit was 21%; in particular in 3rd quarter gross margin reached 43% and operating profit 25%, both of which are record high for the past 5 years. Cash from operating of 2008 was NT\$9.396 billion, As of December 31, 2008, the Company had NT\$18.638 billion in cash and cash equivalent; Debt ratio continued to decrease to 14%; inventory was maintained at NT\$5.27 billion level; production utilization rate was 89.8%, and book value was NT\$11.81 per share, showing that our financial structure is sound.

To ensure the competing edge of profitability, we continuously develop new technologies and products. In 2008 we applied for a total of 432 patents, of which 333 were granted, so that to date we have applied for a cumulative total of 5,610 patents, and have been granted a total of 3,082. In addition to our constant focus on Research and Development, Macronix also completely revamped our research project time management and results assessment, to make the most effective use of the company's resources, and to more quickly turn our R&D results into products, and thus build a competitive edge and advantages for growth.

For ROM, 75 nm products contributed 55% of our ROM revenue in 2008Q4, and 65 nm technology will be the mainstream technology of production in the second half of 2009. Moreover, through strategies such as shorter delivery times, and coming out with even higher density products to satisfy customer's needs while also lowering our costs.

For Flash, 130 nm products represented 40% of our Flash revenue in 2008Q4, and this year 110nm products are gradually into mass production. In addition, we are rolling out 256Mb products, which will not only increase the functionality of new products, but also enable continuously improving cost structure, thus raising profitability. In customer development, last year we added a

total of 25 core chip vendors, and won 93 cases of core product design. Macronix also provides 24 hour rapid technical support services in order to quickly respond to and resolve customer difficulties and keep our customers satisfied.

For 6” wafer foundry services, we are leveraging new IP to raise added value of foundry services, and developing high voltage process to increase overall profit margin, to open up new products and business opportunities.

Macronix will continue to focus on Non-volatile memory technologies, and continuously develop new markets, new customers, and new end user applications. At the same time Macronix will deepen our interactions with our customers, to firmly grasp market trends and to provide customers with the most competitive products and services, so as to create maximum benefit for both Macronix and our customers.

Macronix will remain highly focused on continuously accelerating the improvement of our production. Our XtraROM<sup>®</sup> 65 nm products have already passed customers’ qualification, and can enter mass production for market anytime. Meanwhile we continue to push toward 45 nm technology. Also, our Flash technology is marching toward the 75 nm technology in order to further lower costs and provide new products. This year the company plans capital expenditure of NT\$1.16 billion, mainly to be used in the technology migration and production upgrading.

Of course the recent financial tsunami and the global economic downturn will also have some influence on Macronix. However, in previous years Macronix has already carried out many internal strengthening activities such as disposing of non-performing assets, strengthening products, upgrading human resources and focusing on R&D. Add in the stabilizing of our financial situation, and we believe that Macronix can not only safely weather the storm, but also we hope that the threat can be a turning point for establishing a strong foundation for continuous growth. Looking forward at a new year, the global economic situation is still far from clear, and the competition only grows more intense. These are very serious concerns for the company’s management team. Getting the maximum work results out of our workforce, and raising the satisfaction level of customers, are the clearest paths for the company to seek future growth.

At the same time, Macronix also considers the company’s responsibility to society, and its responsibility and mission to protect the environment. We have already won many awards for our efforts in green purchasing, corporate social responsibility, a low carbon competition, environmental protection, and so on. Finally, we would like to express our appreciation to every one of our stockholders for your support and caring. The management team of Macronix will redouble its efforts to generate profits for our stockholders.



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Macronix International Co., Ltd.

We have audited the accompanying balance sheets of Macronix International Co., Ltd. ("the Company") as of December 31, 2008 and 2007 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investees in which the Company's investments were accounted for by the use of the equity method. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such investees, is based solely on the reports of such other auditors. The carrying value of these equity-method investments as of December 31, 2008 and 2007 amounted to NT\$585,544 thousand and NT\$1,037,391 thousand, respectively. The related investment net loss for the years ended December 31, 2008 and 2007 amounted to NT\$393,063 thousand and NT\$230,368 thousand, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Macronix International Co., Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the financial statements, the Company recognized the bonus paid to employees, directors and supervisors as expense and not treated it as appropriation of earnings in accordance with the Accounting Research and Development Foundation (ARDF) Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors" beginning January 1, 2008.

We have also audited the consolidated financial statements of Macronix International Co., Ltd. and subsidiaries as of and for the years ended December 31, 2008 and 2007, and have expressed an unqualified opinion with an explanatory paragraph in our report dated February 11, 2009.

February 11, 2009

*Notice to Readers*

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

**MACRONIX INTERNATIONAL CO., LTD.**

**BALANCE SHEETS**  
**DECEMBER 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS  | 2008                 |            | 2007                 |            | LIABILITIES AND SHAREHOLDERS' EQUITY   | 2008                 |            | 2007                 |            |
|---|----------------------|------------|----------------------|------------|--|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          |  | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>   |                      |            |                      |            | <b>CURRENT LIABILITIES</b>   |                      |            |                      |            |
| Cash and cash equivalents (Notes 2 and 4)                     | \$ 18,638,127        | 44         | \$ 16,088,626        | 37         | Short-term bank loans (Note 11)  | \$ -                 | -          | \$ 217,996           | 1          |
| Notes and accounts receivable, net (Notes 2 and 5)            | 1,220,199            | 3          | 2,010,395            | 5          | Notes and accounts payable   | 1,108,653            | 2          | 1,870,328            | 4          |
| Receivables from related parties, net (Notes 2 and 20)        | 878,352              | 2          | 1,343,517            | 3          | Payables to related parties (Note 20)  | 100,353              | -          | 162,389              | -          |
| Other receivables, net (Notes 2 and 20)                       | 166,734              | -          | 175,774              | -          | Income tax payable (Notes 2 and 18)  | -                    | -          | 849                  | -          |
| Inventories, net (Notes 2 and 6)                              | 5,268,160            | 12         | 4,142,031            | 9          | Accrued expenses (Notes 3 and 14)  | 2,482,791            | 6          | 1,715,881            | 4          |
| Deferred income tax assets, net (Notes 2 and 18)              | 226,892              | -          | 275,362              | 1          | Current portion of long-term bank loans (Notes 12, 21 and 23)                              | 910,101              | 2          | 1,184,545            | 3          |
| Restricted assets (Note 21)                                   | 1,211,260            | 3          | 1,421,835            | 3          | Other current liabilities  | 280,254              | 1          | 374,662              | 1          |
| Other current assets (Notes 2 and 22)                         | 281,234              | 1          | 338,893              | 1          |  |                      |            |                      |            |
| Total current assets  | 27,890,958           | 65         | 25,796,433           | 59         | Total current liabilities  | 4,882,152            | 11         | 5,526,650            | 13         |
| <b>LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9 and 23)</b>        |                      |            |                      |            | <b>LONG-TERM LIABILITIES</b>   |                      |            |                      |            |
| Investments accounted for using equity method                 | 1,050,139            | 2          | 1,781,415            | 4          | Long-term bank loans, net of current portion (Notes 12, 21 and 23)                         | 636,669              | 2          | 1,546,770            | 3          |
| Available-for-sale financial assets - noncurrent              | 402,630              | 1          | 716,948              | 2          | Long-term notes and accounts payable   | 3,885                | -          | -                    | -          |
| Financial assets carried at cost - noncurrent                 | 212,111              | 1          | 233,500              | -          |  |                      |            |                      |            |
| Total long-term investments                                   | 1,664,880            | 4          | 2,731,863            | 6          | Total long-term liabilities  | 640,554              | 2          | 1,546,770            | 3          |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 20 and 21)</b> |                      |            |                      |            | <b>OTHER LIABILITIES</b>   |                      |            |                      |            |
| Cost:   |                      |            |                      |            | Accrued pension cost (Notes 2 and 13)  | 340,049              | 1          | 344,791              | 1          |
| Land  | 598,076              | 1          | 598,076              | 1          | Other liabilities  | 8,442                | -          | 952                  | -          |
| Buildings and structures                                      | 16,593,959           | 39         | 16,380,163           | 38         |  |                      |            |                      |            |
| Machinery equipment   | 54,590,764           | 128        | 54,088,099           | 124        | Total other liabilities  | 348,491              | 1          | 345,743              | 1          |
| Research and development equipment                            | 1,242,203            | 3          | 1,139,619            | 3          |  |                      |            |                      |            |
| Transportation equipment                                      | 21,208               | -          | 24,452               | -          | Total liabilities  | 5,871,197            | 14         | 7,419,163            | 17         |
| Leasehold improvements  | 2,419                | -          | 2,419                | -          |  |                      |            |                      |            |
| Miscellaneous equipment                                       | 864,543              | 2          | 793,024              | 2          | <b>SHAREHOLDERS' EQUITY (Notes 2, 14, 15 and 16)</b>                                       |                      |            |                      |            |
|   | 73,913,172           | 173        | 73,025,852           | 168        | Capital stock, \$10 par value  |                      |            |                      |            |
| Less: Accumulated depreciation                                | 62,211,519           | 145        | 59,747,444           | 137        | Authorized - 6,550,000 thousand shares   |                      |            |                      |            |
| Construction in progress and prepayments for equipment        | 548,793              | 1          | 415,242              | 1          | Issued - 3,126,775 thousand shares in 2008 and 3,060,226 thousand shares in 2007           | 31,267,757           | 73         | 30,602,266           | 70         |
| Net property, plant and equipment                             | 12,250,446           | 29         | 13,693,650           | 32         | Capital surplus  |                      |            |                      |            |
| <b>INTANGIBLE ASSETS (Notes 2, 3 and 20)</b>                  |                      |            |                      |            | Long-term investments  | 80,635               | -          | 119,147              | -          |
| Deferred charges, net (Note 22)                               | 80,788               | -          | 124,656              | -          | Employee stock options   | 219,817              | 1          | 223,218              | 1          |
| Software, net   | 48,943               | -          | 40,934               | -          | Treasury stock transactions  | 4,193                | -          | 618                  | -          |
| Net intangible assets   | 129,731              | -          | 165,590              | -          | Retained earnings  |                      |            |                      |            |
| <b>OTHER ASSETS</b>   |                      |            |                      |            | Legal reserve  | 609,418              | 1          | 144,051              | -          |
| Deferred income tax assets, net (Notes 2 and 18)              | 871,168              | 2          | 1,090,033            | 3          | Unappropriated earnings  | 4,691,721            | 11         | 4,689,009            | 11         |
| Other assets  | 3,082                | -          | 17,123               | -          | Other adjustments  |                      |            |                      |            |
| Total other assets  | 874,250              | 2          | 1,107,156            | 3          | Unrealized gains on financial instruments  | 140,996              | -          | 342,176              | 1          |
| <b>TOTAL</b>  | <b>\$ 42,810,265</b> | <b>100</b> | <b>\$ 43,494,692</b> | <b>100</b> | Cumulative translation adjustments   | 88,604               | -          | 97,409               | -          |
|   |                      |            |                      |            | Treasury stock (at cost) - 6,426 thousand shares in 2008 and 3,578 thousand shares in 2007 | (164,073)            | -          | (142,365)            | -          |
|   |                      |            |                      |            | Total shareholders' equity   | 36,939,068           | 86         | 36,075,529           | 83         |
|   |                      |            |                      |            | <b>TOTAL</b>   | <b>\$ 42,810,265</b> | <b>100</b> | <b>\$ 43,494,692</b> | <b>100</b> |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2008              |           | 2007              |           |
|---|-------------------|-----------|-------------------|-----------|
|   | Amount            | %         | Amount            | %         |
| GROSS SALES   | \$23,338,722      |           | \$24,392,929      |           |
| SALES RETURNS AND ALLOWANCES  | <u>80,984</u>     |           | <u>89,254</u>     |           |
| NET SALES (Notes 2 and 20)  | 23,257,738        | 100       | 24,303,675        | 100       |
| COST OF SALES (Notes 17 and 20)   | <u>13,357,118</u> | <u>57</u> | <u>14,884,942</u> | <u>61</u> |
| GROSS PROFIT  | 9,900,620         | 43        | 9,418,733         | 39        |
| REALIZED (UNREALIZED) INTERCOMPANY<br>PROFIT (Note 2)                     | <u>57,189</u>     | <u>-</u>  | <u>(32,151)</u>   | <u>-</u>  |
| REALIZED GROSS PROFIT   | <u>9,957,809</u>  | <u>43</u> | <u>9,386,582</u>  | <u>39</u> |
| OPERATING EXPENSES (Notes 17 and 20)                                      |                   |           |                   |           |
| Sales and marketing   | 714,073           | 3         | 875,352           | 4         |
| General and administrative  | 1,640,741         | 7         | 1,528,563         | 6         |
| Research and development  | <u>2,719,324</u>  | <u>12</u> | <u>2,836,878</u>  | <u>12</u> |
| Total operating expenses  | <u>5,074,138</u>  | <u>22</u> | <u>5,240,793</u>  | <u>22</u> |
| INCOME FROM OPERATION   | <u>4,883,671</u>  | <u>21</u> | <u>4,145,789</u>  | <u>17</u> |
| NON-OPERATING INCOME AND GAINS  |                   |           |                   |           |
| Foreign exchange gains, net (Note 2)                                      | 739,920           | 3         | 212,281           | 1         |
| Interest income (Note 23)   | 366,595           | 2         | 236,669           | 1         |
| Dividend income (Note 2)  | 66,488            | -         | 70,859            | -         |
| Gain on settlement and disposal of financial<br>instruments, net (Note 2) | 35,478            | -         | 120,285           | -         |
| Gain on disposal of assets, net (Notes 2 and 20)                          | 24,033            | -         | -                 | -         |
| Reversal of allowance for doubtful receivables<br>(Note 2)                | 19,068            | -         | 52,080            | -         |
| Gain on inventory value recoveries (Note 2)                               | -                 | -         | 412,799           | 2         |
| Others (Note 20)  | <u>279,671</u>    | <u>1</u>  | <u>235,323</u>    | <u>1</u>  |
| Total non-operating income and gains                                      | <u>1,531,253</u>  | <u>6</u>  | <u>1,340,296</u>  | <u>5</u>  |
| NON-OPERATING EXPENSES AND LOSSES   |                   |           |                   |           |
| Equity in losses of equity method investees, net<br>(Notes 2 and 7)       | 1,212,795         | 5         | 192,709           | 1         |
| Loss on inventory valuation and obsolescence<br>(Note 2)                  | 285,709           | 2         | -                 | -         |

(Continued)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2008                    |                        | 2007                    |                        |
|--|-------------------------|------------------------|-------------------------|------------------------|
|  | Amount                  | %                      | Amount                  | %                      |
| Interest expense (Notes 10 and 23)               | \$ 48,261               | -                      | \$ 27,396               | -                      |
| Impairment loss (Notes 2, 7, 9 and 22)           | 37,924                  | -                      | 326,654                 | 1                      |
| Loss on disposal of assets, net (Notes 2 and 20) | -                       | -                      | 23,752                  | -                      |
| Others   | <u>19,956</u>           | <u>-</u>               | <u>11,082</u>           | <u>-</u>               |
| Total non-operating expenses and losses          | <u>1,604,645</u>        | <u>7</u>               | <u>581,593</u>          | <u>2</u>               |
| INCOME BEFORE INCOME TAX                         | 4,810,279               | 20                     | 4,904,492               | 20                     |
| INCOME TAX EXPENSE (Notes 2 and 18)              | <u>295,675</u>          | <u>1</u>               | <u>250,826</u>          | <u>1</u>               |
| NET INCOME                                       | <u>\$ 4,514,604</u>     | <u>19</u>              | <u>\$ 4,653,666</u>     | <u>19</u>              |
|  | 2008                    |                        | 2007                    |                        |
|  | Before<br>Income<br>Tax | After<br>Income<br>Tax | Before<br>Income<br>Tax | After<br>Income<br>Tax |
| EARNINGS PER SHARE (Note 19)                     |                         |                        |                         |                        |
| Basic  | <u>\$ 1.54</u>          | <u>\$ 1.45</u>         | <u>\$ 1.60</u>          | <u>\$ 1.52</u>         |
| Diluted  | <u>\$ 1.49</u>          | <u>\$ 1.40</u>         | <u>\$ 1.57</u>          | <u>\$ 1.49</u>         |

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as investment instead of treasury stock (Note 16):

|                    | 2008                | 2007                |
|--------------------|---------------------|---------------------|
| NET INCOME         | <u>\$ 4,518,179</u> | <u>\$ 4,654,284</u> |
| EARNINGS PER SHARE |                     |                     |
| Basic              | <u>\$1.45</u>       | <u>\$1.52</u>       |
| Diluted            | <u>\$1.40</u>       | <u>\$1.49</u>       |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

(Concluded)

**MACRONIX INTERNATIONAL CO., LTD.**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

|  | Capital Stock         |                     | Capital Surplus       |                        |                             | Retained Earnings     |                         | Other Adjustments                               |                                    | Treasury Stock      | Total Shareholders' Equity |
|--|-----------------------|---------------------|-----------------------|------------------------|-----------------------------|-----------------------|-------------------------|---|------------------------------------|---------------------|----------------------------|
|  | Shares (in Thousands) | Aggregate Par Value | Long-term Investments | Employee Stock Options | Treasury Stock Transactions | Legal Capital Reserve | Unappropriated Earnings | Unrealized Gain (Loss) on Financial Instruments | Cumulative Translation Adjustments |                     |                            |
| BALANCE, JANUARY 1, 2007   | 2,916,158             | \$29,161,578        | \$ 51,343             | \$ 736                 | \$ -                        | \$ -                  | \$ 1,440,510            | \$ 598,451                                      | \$ 84,412                          | \$ (142,365)        | \$31,194,665               |
| Appropriations of prior year's earnings  |                       |                     |                       |                        |                             |                       |                         |   |                                    |                     |                            |
| Legal reserve  | -                     | -                   | -                     | -                      | -                           | 144,051               | (144,051)               | -   | -                                  | -                   | -                          |
| Employees' profit sharing - in cash  | -                     | -                   | -                     | -                      | -                           | -                     | (92,639)                | -   | -                                  | -                   | (92,639)                   |
| Employees' profit sharing - in stock   | 9,264                 | 92,639              | -                     | -                      | -                           | -                     | (92,639)                | -   | -                                  | -                   | -                          |
| Cash dividends to shareholders - NT\$0.18 per share  | -                     | -                   | -                     | -                      | -                           | -                     | (524,954)               | -   | -                                  | -                   | (524,954)                  |
| Stock dividends to shareholders - NT\$0.18 per share   | 52,495                | 524,955             | -                     | -                      | -                           | -                     | (524,955)               | -   | -                                  | -                   | -                          |
| Remuneration to directors and supervisors  | -                     | -                   | -                     | -                      | -                           | -                     | (25,929)                | -   | -                                  | -                   | (25,929)                   |
| Issuance of stock from exercising stock options  | 82,309                | 823,094             | -                     | 222,482                | -                           | -                     | -                       | -   | -                                  | -                   | 1,045,576                  |
| Adjustment arising from changes in percentage of ownership in investees                        | -                     | -                   | 75,091                | -                      | -                           | -                     | -                       | -   | -                                  | -                   | 75,091                     |
| Adjustment arising from disposal of investments accounted for using equity method              | -                     | -                   | (7,287)               | -                      | -                           | -                     | -                       | -   | -                                  | -                   | (7,287)                    |
| Net income for the year ended December 31, 2007  | -                     | -                   | -                     | -                      | -                           | -                     | 4,653,666               | -   | -                                  | -                   | 4,653,666                  |
| Valuation loss on available-for-sale financial assets  | -                     | -                   | -                     | -                      | -                           | -                     | -                       | (109,699)                                       | -                                  | -                   | (109,699)                  |
| Equity in the valuation loss on available-for-sale financial assets of equity method investees | -                     | -                   | -                     | -                      | -                           | -                     | -                       | (146,576)                                       | -                                  | -                   | (146,576)                  |
| Company's dividends received by its subsidiary   | -                     | -                   | -                     | -                      | 618                         | -                     | -                       | -   | -                                  | -                   | 618                        |
| Translation adjustments  | -                     | -                   | -                     | -                      | -                           | -                     | -                       | -   | 12,997                             | -                   | 12,997                     |
| BALANCE, DECEMBER 31, 2007   | 3,060,226             | 30,602,266          | 119,147               | 223,218                | 618                         | 144,051               | 4,689,009               | 342,176   | 97,409                             | (142,365)           | 36,075,529                 |
| Appropriations of prior year's earnings  |                       |                     |                       |                        |                             |                       |                         |   |                                    |                     |                            |
| Legal reserve  | -                     | -                   | -                     | -                      | -                           | 465,367               | (465,367)               | -   | -                                  | -                   | -                          |
| Employees' profit sharing - in cash  | -                     | -                   | -                     | -                      | -                           | -                     | (297,207)               | -   | -                                  | -                   | (297,207)                  |
| Employees' profit sharing - in stock   | 29,721                | 297,207             | -                     | -                      | -                           | -                     | (297,207)               | -   | -                                  | -                   | -                          |
| Cash dividends to shareholders - NT\$1.00 per share  | -                     | -                   | -                     | -                      | -                           | -                     | (3,062,132)             | -   | -                                  | -                   | (3,062,132)                |
| Stock dividends to shareholders - NT\$0.10 per share   | 30,621                | 306,213             | -                     | -                      | -                           | -                     | (306,213)               | -   | -                                  | -                   | -                          |
| Remuneration to directors and supervisors  | -                     | -                   | -                     | -                      | -                           | -                     | (83,766)                | -   | -                                  | -                   | (83,766)                   |
| Issuance of stock from exercising stock options  | 6,207                 | 62,071              | -                     | (3,401)                | -                           | -                     | -                       | -   | -                                  | -                   | 58,670                     |
| Adjustment arising from changes in percentage of ownership in investees                        | -                     | -                   | (38,512)              | -                      | -                           | -                     | -                       | -   | -                                  | -                   | (38,512)                   |
| Net income for the year ended December 31, 2008  | -                     | -                   | -                     | -                      | -                           | -                     | 4,514,604               | -   | -                                  | -                   | 4,514,604                  |
| Valuation loss on available-for-sale financial assets  | -                     | -                   | -                     | -                      | -                           | -                     | -                       | (314,318)                                       | -                                  | -                   | (314,318)                  |
| Equity in the valuation gain on available-for-sale financial assets of equity method investees | -                     | -                   | -                     | -                      | -                           | -                     | -                       | 113,138   | -                                  | -                   | 113,138                    |
| Company's dividends received by its subsidiary   | -                     | -                   | -                     | -                      | 3,575                       | -                     | -                       | -   | -                                  | -                   | 3,575                      |
| Acquisition of treasury stock - 2,813 thousand shares  | -                     | -                   | -                     | -                      | -                           | -                     | -                       | -   | -                                  | (21,708)            | (21,708)                   |
| Translation adjustments  | -                     | -                   | -                     | -                      | -                           | -                     | -                       | -   | (8,805)                            | -                   | (8,805)                    |
| BALANCE, DECEMBER 31, 2008   | <u>3,126,775</u>      | <u>\$31,267,757</u> | <u>\$ 80,635</u>      | <u>\$219,817</u>       | <u>\$4,193</u>              | <u>\$609,418</u>      | <u>\$ 4,691,721</u>     | <u>\$ 140,996</u>                               | <u>\$ 88,604</u>                   | <u>\$ (164,073)</u> | <u>\$36,939,068</u>        |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

|   | 2008               | 2007               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                    |                    |
| Net income  | \$ 4,514,604       | \$ 4,653,666       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                    |
| Depreciation  | 3,187,168          | 3,649,118          |
| Amortization  | 50,865             | 76,522             |
| Reversal of allowance for doubtful receivables                                    | (19,068)           | (52,080)           |
| Loss on inventory valuation and obsolescence (gain on inventory value recoveries) | 285,709            | (412,799)          |
| Gain on disposal of financial instruments, net                                    | (4,606)            | (103,926)          |
| Loss (gain) on disposal of assets, net  | (24,033)           | 23,752             |
| Equity in losses of equity method investees, net                                  | 1,212,795          | 192,709            |
| Impairment loss   | 37,924             | 326,654            |
| Unrealized (realized) intercompany profit   | (57,189)           | 32,151             |
| Deferred income tax   | 267,335            | 250,758            |
| Net changes in operating assets and liabilities:                                  |                    |                    |
| Notes and accounts receivable   | 805,374            | (253,617)          |
| Receivables from related parties  | 469,055            | (209,895)          |
| Other receivables   | 9,099              | 116,732            |
| Inventories   | (1,407,695)        | 246,245            |
| Other current assets  | 146,988            | 88,387             |
| Notes and accounts payable  | (761,675)          | 133,378            |
| Payables to related parties   | (62,036)           | 40,861             |
| Income tax payable  | (849)              | (102,330)          |
| Accrued expenses  | 766,910            | (121,964)          |
| Other current liabilities   | (15,794)           | 9,774              |
| Accrued pension cost  | (4,742)            | 9,536              |
| Net cash provided by operating activities   | <u>9,396,139</u>   | <u>8,593,632</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                    |                    |
| Decrease (increase) in restricted assets  | 210,575            | (145,575)          |
| Acquisitions of available-for-sale financial assets                               | (1,200,000)        | (3,820,000)        |
| Proceeds from disposal of available-for-sale financial assets                     | 1,204,606          | 3,828,551          |
| Acquisitions of investments accounted for using equity method                     | (431,658)          | (760,239)          |
| Proceeds from withdrawal of prepayment for long-term investment                   | -                  | 549,000            |
| Proceeds from disposal of investments accounted for using equity method           | -                  | 127,119            |
| Acquisitions of property, plant and equipment                                     | (1,761,428)        | (3,961,031)        |
| Proceeds from disposal of property, plant and equipment                           | 23,206             | 33,139             |
| Increase in intangible assets   | (108,669)          | (50,812)           |
| Proceeds from disposal of intangible assets                                       | 11,021             | 599                |
| Decrease in other assets  | <u>13,982</u>      | <u>34,792</u>      |
| Net cash used in investing activities   | <u>(2,038,365)</u> | <u>(4,164,457)</u> |

(Continued)

# MACRONIX INTERNATIONAL CO., LTD.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

|  | 2008                | 2007                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                       |                     |                     |
| Increase (decrease) in short-term bank loans                       | \$ (217,996)        | \$ 17,996           |
| Increase in long-term bank loans                                   | -                   | 1,200,000           |
| Repayment of long-term bank loans                                  | (1,184,545)         | (1,110,428)         |
| Increase in guarantee deposits                                     | 411                 | 708                 |
| Proceeds from exercise of employee stock options                   | 58,670              | 1,045,576           |
| Cash bonus to employees, directors and supervisors                 | (380,973)           | (118,568)           |
| Cash dividends   | (3,062,132)         | (524,785)           |
| Cash paid for acquisition of treasury stock                        | <u>(21,708)</u>     | <u>-</u>            |
| Net cash provided by (used in) financing activities                | <u>(4,808,273)</u>  | <u>510,499</u>      |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                          | 2,549,501           | 4,939,674           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                       | <u>16,088,626</u>   | <u>11,148,952</u>   |
| CASH AND CASH EQUIVALENTS, END OF YEAR                             | <u>\$18,638,127</u> | <u>\$16,088,626</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>          |                     |                     |
| Interest paid (excluding capitalized interest)                     | <u>\$ 51,555</u>    | <u>\$ 80,535</u>    |
| Income tax paid  | <u>\$ 45,000</u>    | <u>\$ 123,103</u>   |
| <b>NON-CASH FINANCING ACTIVITIES:</b>                              |                     |                     |
| Current portion of long-term bank loans                            | <u>\$ 910,101</u>   | <u>\$ 1,184,545</u> |
| <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b> |                     |                     |
| Acquisitions of property, plant and equipment                      | \$ 1,746,888        | \$ 3,672,450        |
| Net decrease in payables to contractors and equipment suppliers    | <u>14,540</u>       | <u>288,581</u>      |
| Cash paid  | <u>\$ 1,761,428</u> | <u>\$ 3,961,031</u> |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

(Concluded)



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Macronix International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Macronix International Co., Ltd. and subsidiaries ("the Company") as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries and investees accounted for using equity method. The financial statements of these subsidiaries and investee were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries and investees, is based solely on the reports of such other auditors. The financial statements of certain subsidiaries, which reflect total assets of NT\$842,329 thousand and NT\$1,442,632 thousand, representing 1.90% and 3.19% of the Company's consolidated total assets as of December 31, 2008 and 2007, respectively, and also reflect net sales of NT\$653,143 thousand and NT\$1,027,209 thousand, representing 2.67% and 4.05% of the Company's consolidated net sales for the years then ended, were audited by other auditors. The carrying value of the investments accounted for using equity method as of December 31, 2008 and 2007 was NT\$130,145 thousand and NT\$218,976 thousand, representing 0.29% and 0.48% of the Company's consolidated total assets, and the related investment loss and gain were NT\$71,733 thousand and NT\$61,706 thousand, representing 1.55% and 1.27% of the Company's consolidated pretax income for the years then ended.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Macronix International Co., Ltd. and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company recognized the bonus paid to employees, directors and supervisors as expense and not treated it as appropriation of earnings in accordance with the Accounting Research and Development Foundation (ARDF) Interpretation 96-052, “Accounting for Bonuses to Employees, Directors and Supervisors” beginning January 1, 2008.

February 11, 2009

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and consolidated financial statements shall prevail.*

# MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS  | 2008                 |            | 2007                 |            | LIABILITIES AND SHAREHOLDERS' EQUITY   | 2008                 |            | 2007                 |            |
|---|----------------------|------------|----------------------|------------|--|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          |  | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>   |                      |            |                      |            | <b>CURRENT LIABILITIES</b>   |                      |            |                      |            |
| Cash and cash equivalents (Notes 2 and 4)                         | \$ 20,055,835        | 45         | \$ 17,776,335        | 39         | Short-term bank loans (Note 12)  | \$ 1,123,913         | 2          | \$ 1,292,076         | 3          |
| Notes and accounts receivable, net (Notes 2 and 5)                | 1,414,467            | 3          | 2,312,715            | 5          | Notes and accounts payable   | 1,165,868            | 3          | 1,971,999            | 4          |
| Receivables from related parties, net (Notes 2 and 22)            | 780,646              | 2          | 1,059,626            | 2          | Payables to related parties (Note 22)  | 50,901               | -          | 110,134              | -          |
| Other receivables, net (Notes 2, 22 and 24)                       | 173,870              | -          | 160,980              | -          | Income tax payable (Notes 2 and 20)  | 13,388               | -          | 30,721               | -          |
| Inventories, net (Notes 2, 3 and 6)                               | 5,319,668            | 12         | 4,388,083            | 10         | Accrued expenses (Notes 3 and 16)  | 2,614,560            | 6          | 1,846,839            | 4          |
| Deferred income tax assets, current (Notes 2 and 20)              | 236,732              | -          | 285,258              | 1          | Current portion of long-term bank loans (Notes 13 and 25)                                  | 910,101              | 2          | 1,184,545            | 3          |
| Restricted assets, current (Note 23)                              | 1,214,358            | 3          | 1,424,867            | 3          | Current portion of leases payable (Notes 2, 14 and 25)                                     | 24,000               | -          | 19,620               | -          |
| Other current assets (Notes 2 and 24)                             | 334,944              | 1          | 377,825              | 1          | Other current liabilities  | 312,718              | 1          | 392,398              | 1          |
| Total current assets  | <u>29,530,520</u>    | <u>66</u>  | <u>27,785,689</u>    | <u>61</u>  | Total current liabilities  | <u>6,215,449</u>     | <u>14</u>  | <u>6,848,332</u>     | <u>15</u>  |
| <b>LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9, 10 and 25)</b>        |                      |            |                      |            | <b>LONG-TERM LIABILITIES</b>   |                      |            |                      |            |
| Investments accounted for using equity method                     | 130,145              | -          | 218,976              | -          | Long-term bank loans, net of current portion (Notes 13, 23 and 25)                         | 636,669              | 1          | 1,546,770            | 3          |
| Financial assets at fair value through profit or loss, noncurrent | 2,298                | -          | 40,605               | -          | Long-term notes and account payable  | 25,089               | -          | -                    | -          |
| Available-for-sale financial assets, noncurrent                   | 450,731              | 1          | 1,147,568            | 3          | Lease payable (Notes 2, 14 and 25)   | 15,840               | -          | 39,839               | -          |
| Financial assets carried at cost, noncurrent                      | 252,095              | 1          | 298,468              | 1          | Total long-term liabilities  | <u>677,598</u>       | <u>1</u>   | <u>1,586,609</u>     | <u>3</u>   |
| Total long-term investments                                       | <u>835,269</u>       | <u>2</u>   | <u>1,705,617</u>     | <u>4</u>   | <b>OTHER LIABILITIES</b>   |                      |            |                      |            |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>         |                      |            |                      |            | Accrued pension cost (Notes 2 and 15)  | 340,049              | 1          | 345,092              | 1          |
| Cost:   |                      |            |                      |            | Others   | 6,673                | -          | 952                  | -          |
| Land  | 598,076              | 1          | 598,076              | 1          | Total other liabilities  | <u>346,722</u>       | <u>1</u>   | <u>346,044</u>       | <u>1</u>   |
| Buildings and structures  | 16,596,053           | 38         | 16,382,305           | 36         | Total liabilities  | <u>7,239,769</u>     | <u>16</u>  | <u>8,780,985</u>     | <u>19</u>  |
| Machinery equipment   | 54,603,800           | 123        | 54,088,201           | 120        | <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>                                   |                      |            |                      |            |
| Research and development equipment                                | 1,318,372            | 3          | 1,214,652            | 3          | (Notes 2, 3, 16 and 18)  |                      |            |                      |            |
| Transportation equipment  | 26,542               | -          | 29,640               | -          | Capital stock, \$10 par value  |                      |            |                      |            |
| Leased assets   | 75,000               | -          | 75,000               | -          | Authorized - 6,550,000 thousand shares   |                      |            |                      |            |
| Leasehold improvements  | 28,289               | -          | 24,053               | -          | Issued - 3,126,775 thousand shares in 2008 and 3,060,226 thousand shares in 2007           | 31,267,757           | 70         | 30,602,266           | 68         |
| Miscellaneous equipment   | 951,312              | 2          | 877,686              | 2          | Capital surplus  |                      |            |                      |            |
|   | 74,197,444           | 167        | 73,289,613           | 162        | Long-term investments  | 80,635               | -          | 119,147              | -          |
| Less: Accumulated depreciation                                    | 62,333,128           | 140        | 59,820,524           | 132        | Employee stock option  | 219,817              | 1          | 223,218              | 1          |
| Construction in progress and prepayments for equipment            | 590,826              | 1          | 415,242              | 1          | Treasury stock transactions  | 4,193                | -          | 618                  | -          |
| Net property, plant and equipment                                 | <u>12,455,142</u>    | <u>28</u>  | <u>13,884,331</u>    | <u>31</u>  | Retained earnings  |                      |            |                      |            |
| <b>INTANGIBLE ASSETS (Notes 2 and 3)</b>                          |                      |            |                      |            | Legal reserve  | 609,418              | 1          | 144,051              | -          |
| Deferred charges, net (Note 24)                                   | 222,921              | 1          | 224,281              | 1          | Unappropriated earnings  | 4,691,721            | 11         | 4,689,009            | 11         |
| Software, net   | 68,795               | -          | 74,130               | -          | Other adjustments  |                      |            |                      |            |
| Goodwill (Note 7)   | -                    | -          | 16,537               | -          | Unrealized gain on financial instruments   | 140,996              | -          | 342,176              | 1          |
| Net intangible assets   | <u>291,716</u>       | <u>1</u>   | <u>314,948</u>       | <u>1</u>   | Cumulative translation adjustments   | 88,604               | -          | 97,409               | -          |
| <b>OTHER ASSETS</b>   |                      |            |                      |            | Treasury stock (at cost) - 6,426 thousand shares in 2008 and 3,578 thousand shares in 2007 | (164,073)            | -          | (142,365)            | (1)        |
| Deferred income tax assets, noncurrent (Notes 2 and 20)           | 874,606              | 2          | 1,091,241            | 2          | Total equity attributable to shareholders of the parent                                    | 36,939,068           | 83         | 36,075,529           | 80         |
| Idle assets, net (Note 2)   | 314,073              | 1          | 311,294              | 1          | <b>MINORITY INTERESTS (Note 2)</b>   | <u>204,142</u>       | <u>1</u>   | <u>332,874</u>       | <u>1</u>   |
| Other assets (Notes 23 and 24)                                    | 81,653               | -          | 96,268               | -          | Total shareholders' equity   | <u>37,143,210</u>    | <u>84</u>  | <u>36,408,403</u>    | <u>81</u>  |
| Total other assets  | <u>1,270,332</u>     | <u>3</u>   | <u>1,498,803</u>     | <u>3</u>   | <b>TOTAL</b>   | <u>\$ 44,382,979</u> | <u>100</u> | <u>\$ 45,189,388</u> | <u>100</u> |
| <b>TOTAL</b>  | <u>\$ 44,382,979</u> | <u>100</u> | <u>\$ 45,189,388</u> | <u>100</u> |  |                      |            |                      |            |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

## MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2008              |           | 2007              |           |
|--|-------------------|-----------|-------------------|-----------|
|  | Amount            | %         | Amount            | %         |
| GROSS SALES  | \$24,595,399      |           | \$25,444,581      |           |
| SALES RETURNS AND ALLOWANCES   | <u>91,382</u>     |           | <u>89,010</u>     |           |
| NET SALES (Notes 2 and 22)   | 24,504,017        | 100       | 25,355,571        | 100       |
| COST OF SALES (Notes 19 and 22)  | <u>14,235,975</u> | <u>58</u> | <u>15,435,276</u> | <u>61</u> |
| GROSS PROFIT   | 10,268,042        | 42        | 9,920,295         | 39        |
| REALIZED INTERCOMPANY PROFIT (Note 2)  | <u>758</u>        | <u>-</u>  | <u>6,260</u>      | <u>-</u>  |
| REALIZED GROSS PROFIT  | <u>10,268,800</u> | <u>42</u> | <u>9,926,555</u>  | <u>39</u> |
| OPERATING EXPENSES (Notes 19 and 22)   |                   |           |                   |           |
| Marketing  | 753,005           | 3         | 917,706           | 3         |
| General and administrative   | 1,980,494         | 8         | 1,943,268         | 8         |
| Research and development   | <u>3,227,729</u>  | <u>13</u> | <u>3,240,252</u>  | <u>13</u> |
| Total operating expenses   | <u>5,961,228</u>  | <u>24</u> | <u>6,101,226</u>  | <u>24</u> |
| INCOME FROM OPERATIONS   | <u>4,307,572</u>  | <u>18</u> | <u>3,825,329</u>  | <u>15</u> |
| NON-OPERATING INCOME AND GAINS   |                   |           |                   |           |
| Foreign exchange gains, net (Note 2)   | 550,218           | 2         | 139,394           | 1         |
| Interest income (Note 25)  | 390,627           | 2         | 262,768           | 1         |
| Dividend income (Note 2)   | 69,420            | -         | 71,893            | -         |
| Gain on settlement and disposal of financial instruments, net (Notes 2 and 25) | 37,457            | -         | 222,153           | 1         |
| Gain on disposal of assets, net (Note 2)                                       | 19,209            | -         | -                 | -         |
| Equity in gain of equity method investees (Notes 2 and 7)                      | -                 | -         | 61,706            | -         |
| Gain on inventory value recoveries (Note 2)                                    | -                 | -         | 379,597           | 2         |
| Reversal of allowance for doubtful receivables (Note 2)                        | -                 | -         | 96,224            | -         |
| Others (Notes 2, 8 and 22)   | <u>291,809</u>    | <u>1</u>  | <u>216,325</u>    | <u>1</u>  |
| Total non-operating income and gains   | <u>1,358,740</u>  | <u>5</u>  | <u>1,450,060</u>  | <u>6</u>  |

(Continued)



# MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

|  | Equity Attributable to Shareholders of the Parent |                     |                       |                        |                             |                       |                         |   |                                    |                |               | Minority Interest in Subsidiaries | Total Shareholders' Equity |
|--|---|---------------------|-----------------------|------------------------|-----------------------------|-----------------------|-------------------------|---|------------------------------------|----------------|---------------|-----------------------------------|----------------------------|
|  | Capital Stock                                     |                     | Long-term Investments | Capital Surplus        |                             | Retained Earnings     |                         | Other Adjustments                               |                                    | Treasury Stock | Total         |                                   |                            |
|  | Shares (in Thousands)                             | Aggregate Par Value |                       | Employee Stock Options | Treasury Stock Transactions | Legal Capital Reserve | Unappropriated Earnings | Unrealized Gain (Loss) on Financial Instruments | Cumulative Translation Adjustments |                |               |                                   |                            |
| BALANCE, JANUARY 1, 2007   | 2,916,158   | \$ 29,161,578       | \$ 51,343             | \$ 736                 | \$ -                        | \$ -                  | \$ 1,440,510            | \$ 598,451                                      | \$ 84,412                          | \$(142,365)    | \$ 31,194,665 | \$ 17,031                         | \$ 31,211,696              |
| Appropriations of prior year's earnings  |   |                     |                       |                        |                             |                       |                         |   |                                    |                |               |                                   |                            |
| Legal capital reserve  | -   | -                   | -                     | -                      | -                           | 144,051               | (144,051)               | -   | -                                  | -              | -             | -                                 | -                          |
| Employees' profit sharing - in cash  | -   | -                   | -                     | -                      | -                           | -                     | (92,639)                | -   | -                                  | -              | (92,639)      | -                                 | (92,639)                   |
| Employees' profit sharing - in stock   | 9,264   | 92,639              | -                     | -                      | -                           | -                     | (92,639)                | -   | -                                  | -              | -             | -                                 | -                          |
| Cash dividends to shareholders - NT\$0.18 per share  | -   | -                   | -                     | -                      | -                           | -                     | (524,954)               | -   | -                                  | -              | (524,954)     | -                                 | (524,954)                  |
| Stock dividends to shareholders - NT\$0.18 per share   | 52,495  | 524,955             | -                     | -                      | -                           | -                     | (524,955)               | -   | -                                  | -              | -             | -                                 | -                          |
| Remuneration to directors and supervisors  | -   | -                   | -                     | -                      | -                           | -                     | (25,929)                | -   | -                                  | -              | (25,929)      | -                                 | (25,929)                   |
| Issuance of stock from exercising stock options  | 82,309  | 823,094             | -                     | 222,482                | -                           | -                     | -                       | -   | -                                  | -              | 1,045,576     | -                                 | 1,045,576                  |
| Adjustment arising from changes in percentage of ownership in investees                        | -   | -                   | 75,091                | -                      | -                           | -                     | -                       | -   | -                                  | -              | 75,091        | (54,088)                          | 21,003                     |
| Adjustment arising from disposal of investments accounted for using equity method              | -   | -                   | (7,287)               | -                      | -                           | -                     | -                       | -   | -                                  | -              | (7,287)       | -                                 | (7,287)                    |
| Consolidated net income for the year ended December 31, 2007                                   | -   | -                   | -                     | -                      | -                           | -                     | 4,653,666               | -   | -                                  | -              | 4,653,666     | (63,970)                          | 4,589,696                  |
| Valuation loss on available-for-sale financial assets  | -   | -                   | -                     | -                      | -                           | -                     | -                       | (109,699)                                       | -                                  | -              | (109,699)     | -                                 | (109,699)                  |
| Equity in the valuation loss on available-for-sale financial assets of equity method investees | -   | -                   | -                     | -                      | -                           | -                     | -                       | (146,576)                                       | -                                  | -              | (146,576)     | -                                 | (146,576)                  |
| Cash dividends received by a subsidiary from parent company                                    | -   | -                   | -                     | -                      | 618                         | -                     | -                       | -   | -                                  | -              | 618           | -                                 | 618                        |
| Translation adjustments  | -   | -                   | -                     | -                      | -                           | -                     | -                       | -   | 12,997                             | -              | 12,997        | (109)                             | 12,888                     |
| Increase in minority interests   | -   | -                   | -                     | -                      | -                           | -                     | -                       | -   | -                                  | -              | -             | 434,010                           | 434,010                    |
| BALANCE, DECEMBER 31, 2007   | 3,060,226   | 30,602,266          | 119,147               | 223,218                | 618                         | 144,051               | 4,689,009               | 342,176   | 97,409                             | (142,365)      | 36,075,529    | 332,874                           | 36,408,403                 |
| Appropriations of prior year's earnings  |   |                     |                       |                        |                             |                       |                         |   |                                    |                |               |                                   |                            |
| Legal capital reserve  | -   | -                   | -                     | -                      | -                           | 465,367               | (465,367)               | -   | -                                  | -              | -             | -                                 | -                          |
| Employees' profit sharing - in cash  | -   | -                   | -                     | -                      | -                           | -                     | (297,207)               | -   | -                                  | -              | (297,207)     | -                                 | (297,207)                  |
| Employees' profit sharing - in stock   | 29,721  | 297,207             | -                     | -                      | -                           | -                     | (297,207)               | -   | -                                  | -              | -             | -                                 | -                          |
| Cash dividends to shareholders - NT\$1.00 per share  | -   | -                   | -                     | -                      | -                           | -                     | (3,062,132)             | -   | -                                  | -              | (3,062,132)   | -                                 | (3,062,132)                |
| Stock dividends to shareholders - NT\$0.10 per share   | 30,621  | 306,213             | -                     | -                      | -                           | -                     | (306,213)               | -   | -                                  | -              | -             | -                                 | -                          |
| Remuneration to directors and supervisors  | -   | -                   | -                     | -                      | -                           | -                     | (83,766)                | -   | -                                  | -              | (83,766)      | -                                 | (83,766)                   |
| Issuance of stock from exercising stock options  | 6,207   | 62,071              | -                     | (3,401)                | -                           | -                     | -                       | -   | -                                  | -              | 58,670        | -                                 | 58,670                     |
| Adjustment arising from changes in percentage of ownership in investees                        | -   | -                   | (38,512)              | -                      | -                           | -                     | -                       | -   | -                                  | -              | (38,512)      | 34,186                            | (4,326)                    |
| Consolidated net income for the year ended December 31, 2008                                   | -   | -                   | -                     | -                      | -                           | -                     | 4,514,604               | -   | -                                  | -              | 4,514,604     | (169,950)                         | 4,344,654                  |
| Valuation loss on available-for-sale financial assets  | -   | -                   | -                     | -                      | -                           | -                     | -                       | (314,318)                                       | -                                  | -              | (314,318)     | -                                 | (314,318)                  |
| Equity in the valuation gain on available-for-sale financial assets of equity method investees | -   | -                   | -                     | -                      | -                           | -                     | -                       | 113,138   | -                                  | -              | 113,138       | -                                 | 113,138                    |
| Cash dividends received by a subsidiary from parent company                                    | -   | -                   | -                     | -                      | 3,575                       | -                     | -                       | -   | -                                  | -              | 3,575         | -                                 | 3,575                      |
| Acquisition of treasury stock - 2,813 thousand shares  | -   | -                   | -                     | -                      | -                           | -                     | -                       | -   | -                                  | (21,708)       | (21,708)      | -                                 | (21,708)                   |
| Translation adjustments  | -   | -                   | -                     | -                      | -                           | -                     | -                       | -   | (8,805)                            | -              | (8,805)       | 809                               | (7,996)                    |
| Increase in minority interests   | -   | -                   | -                     | -                      | -                           | -                     | -                       | -   | -                                  | -              | -             | 6,223                             | 6,223                      |
| BALANCE, DECEMBER 31, 2008   | 3,126,775   | \$ 31,267,757       | \$ 80,635             | \$ 219,817             | \$ 4,193                    | \$ 609,418            | \$ 4,691,721            | \$ 140,996                                      | \$ 88,604                          | \$(164,073)    | \$ 36,939,068 | \$ 204,142                        | \$ 37,143,210              |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

# MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

|   | 2008               | 2007               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                    |                    |
| Net income attributable to shareholders of the parent                             | \$ 4,514,604       | \$ 4,653,666       |
| Net loss attributable to minority interests                                       | (169,950)          | (63,970)           |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                    |
| Depreciation  | 3,237,691          | 3,684,428          |
| Amortization  | 140,950            | 116,544            |
| Provision (reversal of allowance) for doubtful receivables                        | 11,653             | (96,224)           |
| Loss on inventory valuation and obsolescence (gain on inventory value recoveries) | 281,793            | (379,597)          |
| Gain on settlement and disposal of financial instruments, net                     | (6,585)            | (205,794)          |
| Equity in loss (gain) of equity method investees                                  | 71,733             | (61,706)           |
| Loss (gain) on disposal of assets, net  | (19,209)           | 22,359             |
| Impairment loss   | 553,601            | 326,654            |
| Valuation loss (gain) on financial instruments                                    | 37,151             | (3,281)            |
| Realized intercompany profit  | (758)              | (6,260)            |
| Deferred income tax   | 265,161            | 248,214            |
| Net changes in operating assets and liabilities:                                  |                    |                    |
| Notes and accounts receivable   | 916,795            | (188,158)          |
| Receivables from related parties  | 291,348            | (313,591)          |
| Other receivables   | (12,831)           | 136,195            |
| Inventories   | (1,208,939)        | 128,964            |
| Other current assets  | 132,210            | 148,239            |
| Notes and accounts payable  | (794,226)          | 137,085            |
| Payables to related parties   | (59,233)           | 21,532             |
| Income tax payable  | (17,333)           | (113,298)          |
| Accrued expenses  | 767,721            | (89,606)           |
| Other current liabilities   | (22,536)           | (2,968)            |
| Accrued pension cost  | (5,043)            | 9,591              |
| Net cash provided by operating activities   | <u>8,905,768</u>   | <u>8,109,018</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                    |                    |
| Decrease (increase) in restricted assets  | 210,498            | (107,936)          |
| Acquisitions of available-for-sale financial assets                               | (1,717,200)        | (4,709,700)        |
| Proceeds from disposal of available-for-sale financial assets                     | 1,723,785          | 4,954,936          |
| Acquisitions of investments accounted for using equity method                     | -                  | (70,785)           |
| Proceeds from disposal of investments accounted for using equity method           | -                  | 253,375            |
| Acquisitions of property, plant and equipment                                     | (1,864,954)        | (4,039,578)        |
| Proceeds from disposal of property, plant and equipment                           | 23,989             | 33,995             |
| Increase in intangible assets   | (224,142)          | (185,774)          |
| Proceeds from disposal of intangible assets                                       | 826                | 600                |
| Decrease in refundable deposits   | 2,000              | 757                |
| Decrease (increase) in other assets   | (33,981)           | 64,651             |
| Net cash used in investing activities   | <u>(1,879,179)</u> | <u>(3,805,459)</u> |

(Continued)

# MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

|   | 2008                | 2007                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                     |
| Net decrease in short-term bank loans   | \$ (168,163)        | \$ (13,831)         |
| Increase in long-term bank loans  | -                   | 1,200,000           |
| Repayment on long-term bank loans   | (1,184,545)         | (1,110,428)         |
| Increase (decrease) in guarantee deposits   | 410                 | (5,811)             |
| Proceeds from exercise of employee stock options  | 58,670              | 1,045,576           |
| Cash bonuses to employees, directors and supervisors  | (380,973)           | (118,568)           |
| Cash dividends  | (3,058,557)         | (524,167)           |
| Cash paid for acquisition of treasury stock   | (21,708)            | -                   |
| Increase in minority interests  | <u>6,223</u>        | <u>422,030</u>      |
| Net cash provided by (used in) financing activities   | <u>(4,748,643)</u>  | <u>894,801</u>      |
| EFFECT OF EXCHANGE RATE CHANGES   | <u>1,554</u>        | <u>12,350</u>       |
| EFFECT OF INCLUSION OR EXCLUSION FOR CONSOLIDATION<br>OF CERTAIN SUBSIDIARIES                           | <u>-</u>            | <u>594,720</u>      |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 2,279,500           | 5,805,430           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | <u>17,776,335</u>   | <u>11,970,905</u>   |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$20,055,835</u> | <u>\$17,776,335</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>   |                     |                     |
| Interest paid (excluding capitalized interest)  | <u>\$ 75,980</u>    | <u>\$ 97,827</u>    |
| Income tax paid   | <u>\$ 77,341</u>    | <u>\$ 139,209</u>   |
| <b>NON-CASH FINANCING ACTIVITIES:</b>   |                     |                     |
| Current portion of long-term bank loans   | <u>\$ 910,101</u>   | <u>\$ 1,184,545</u> |
| Current portion of lease payable  | <u>\$ 24,000</u>    | <u>\$ 19,620</u>    |
| <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND<br/>NON-CASH ITEMS</b>                                  |                     |                     |
| Acquisitions of property, plant and equipment   | \$ 1,810,397        | \$ 3,844,310        |
| Net decrease in payables to contractors and equipment suppliers and<br>obligations under capital leases | <u>54,557</u>       | <u>195,268</u>      |
| Cash paid   | <u>\$ 1,864,954</u> | <u>\$ 4,039,578</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 11, 2009)

(Concluded)



## **Attachment 2**

### **Supervisor Audit Report**

To: 2009 Annual General Shareholders' Meeting of Macronix International Co., Ltd.

The Board of Directors of the Company has prepared the 2008 financial report and consolidated financial report audited by Deloitte & Touche, the proposal of 2008 earnings distribution, and business report of 2008. The undersigned supervisors have reviewed and found the aforesaid documents made by the Board of Directors and the audit report issued by Deloitte & Touche are in accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: Ping Tien Wu

Supervisor: Stacey Lee

Supervisor: David Lo

Dated: March 30, 2009

**Attachment 3****Macronix International Co., Ltd.****The statement of appropriation of 2008 earnings distribution**

Units : NT\$

| <b>Item</b>   | <b>Amount</b> |
|---|---------------|
| Net Income of 2008  | 4,514,603,521 |
| Less : 10% Legal reserve                                    | 451,460,352   |
| Plus : undistributed earnings of previous years             | 177,117,392   |
| Distributable earnings                                      | 4,240,260,561 |
| Distribution Items :  |               |
| Cash Dividends to Shareholders                              | 2,187,732,480 |
| Stock Dividends to Shareholders                             | 1,250,132,850 |
| Unallocated earnings  | 802,395,231   |
| Note :  |               |
| Compensation for Directors and Supervisors : NT\$81,262,863 |               |
| Employee Bonus (in cash) : NT\$606,682,117                  |               |

## Attachment 4

### The comparison chart of the Procedures for Lending Funds to Other Parties

| Article               | Before Revision  | After Revision   |
|-----------------------|--|--|
| Article 2             | <p>The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:</p> <p>(1) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or</p> <p>(2) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.</p> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.</p> | <p>The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:</p> <p>(1) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or</p> <p>(2) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.</p> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.</p> <p><u>The loan between The Company direct or indirect 100% owned foreign subsidiaries which is unrestricted by sub-paragraph 2, paragraph 1</u></p> |
| Article 4 paragraph 1 | <p>Evaluation standards for loaning funds to others:</p> <p>1. Where funds are loaned for reasons of business dealings should limits to the second paragraph of article 5.</p>   | <p>Evaluation standards for loaning funds to others:</p> <p>1. Where funds are loaned for reasons of business dealings should limits to the <del>second paragraph</del> of article 5.</p>  |
| Article 5             | <p>1. The total amount of loaning funds for the reasons of business dealings should not exceed fifty percent (50%) of the Company's net worth as stated in its latest financial statement; The total amount of loaning funds for the reasons of short-term financing needs should not exceed thirty percent (30%) of the Company's net worth as stated in its latest financial statement.</p> <p>2. For loaning funds deriving from the business relations, the amount provide to any single party shall not exceed the total business amount between the party and the Company (business amount refers to the higher one of goods sold and goods procured between the party and the Company).</p>   | <p>1. The total amount of loaning funds <del>for the reasons of business dealings</del> should not exceed fifty percent (50%) of the Company's net worth as stated in its latest financial statement; <del>The total amount of loaning funds for the reasons of short term financing needs should not exceed thirty percent (30%) of the Company's net worth as stated in its latest financial statement.</del></p> <p>2. For loaning funds deriving from the business relations, the amount provide to any single party shall not exceed the total business amount between the party and the Company (<del>business amount refers to the higher one of goods sold and goods procured between the party and the Company.</del> For loaning funds</p>   |

| Article                                  | Before Revision   | After Revision  |
|--|---|---|
|  | <p>For loaning funds deriving from the short-term financing needs, the amount provide to any single party shall not exceed thirty percent (30%) of the Company's net worth as stated in its latest financial statement and shall not exceed forty percent (40%) of the party's net worth.</p>   | <p>deriving from the short-term financing needs, the amount provide to any single party shall not exceed thirty percent (30%) of the Company's net worth as stated in its latest financial statement and shall not exceed forty percent (40%) of the party's net worth.</p>   |
| <p>Article 8<br/>paragraph<br/>1,2,3</p> | <p>1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loan balance reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <p>2-1 The aggregate loan balance reaches 20 percent or more of the Company's net worth as stated in its latest financial statement, or, after announcement or reporting is made under this paragraph, each instance where the aggregate loan balance increases by more than 2 percent of the Company's net worth as stated in its latest financial statement.</p> <p>2-2 The balance of loans to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement, or, after announcement or reporting is made under this paragraph, each instance where balance of loans to a single enterprise increases by more than 2 percent of the Company's net worth as stated in its latest financial statement.</p> <p>2-3 The balance of loans extended to an enterprise out of business needs exceeds the total trading amount between the two in the most recent year, or, after announcement or reporting is made under this paragraph, each instance where the aggregate balance of loans to an enterprise increases by more than 2</p> | <p>1. The Company shall announce and report the previous month's loan balances of its head office and its subsidiaries by the 10th day of each month.</p> <p>2. The Company whose loan balance reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <p>2-1 <u>The aggregate loan balance of the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement, <del>or, after announcement or reporting is made under this paragraph, each instance where the aggregate loan balance increases by more than 2 percent of the Company's net worth as stated in its latest financial statement.</del></u></p> <p>2-2 <u>The loan balance of loans to a single enterprise of the Company and its subsidiaries reaches 10 percent or more of the Company's net worth as stated in its latest financial statement, <del>or, after announcement or reporting is made under this paragraph, each instance where balance of loans to a single enterprise increases by more than 2 percent of the Company's net worth as stated in its latest financial statement.</del></u></p> <p>2-3 <u>The increased loan amount of the Company or its subsidiaries reach NT\$ ten millions and 2% or more of the Company's net worth as stated in its latest financial statement. <del>The balance of loans extended to an enterprise out of business needs exceeds the total trading amount between the two in</del></u></p> |

| Article                | Before Revision  | After Revision  |
|------------------------|--|---|
|                        | <p>percent of the Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph. The percentage of loan balance over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's loan balance to the Company's net worth.</p> | <p><del>the most recent year, or, after announcement or reporting is made under this paragraph, each instance where the aggregate balance of loans to an enterprise increases by more than 2 percent of the Company's net worth as stated in its latest financial statement.</del></p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to <u>any 3<sup>rd</sup></u> subparagraph of the preceding paragraph. <del>The percentage of loan balance over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's loan balance to the Company's net worth.</del></p> |
| Article 9 paragraph 5  | <p>5. Where its loan balance exceeds the limit as a result of changes of condition, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors.</p>   | <p>5. Where <u>the identity of borrower is not in compliance with this rule or</u> its loan balance exceeds the limit as a result of changes of condition, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, <u>and accomplish the plan on schedule.</u></p>   |
| Article 10 paragraph 1 | <p>1. Where a subsidiary of the Company intends to make loans to others, the Company shall see that it formulates its own Operational Procedures for Loaning Funds to Others and acts in compliance with these procedures.</p>   | <p>1. Where a subsidiary of the Company intends to make loans to others, the Company shall <u>request</u> <del>see that it</del> <u>to</u> formulates its own Operational Procedures for Loaning Funds to Others and <u>aets to execute</u> in compliance with these procedures.</p>  |

## Attachment 5

### The comparison chart of the Procedures for Endorsement and Guarantee

| Article   | Before Revision  | After Revision  |
|-----------|--|---|
| Article 4 | <p>1. The Company may make endorsements/guarantees for the following companies:</p> <p>1-1 A company with which it does business.</p> <p>1-2 A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.</p> <p>1-3 A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p>2. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a construction project, or where shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraph.</p> | <p>1. The Company may make endorsements/guarantees for the following companies:</p> <p>1-1 A company with which it does business.</p> <p>1-2 A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.</p> <p>1-3 A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p>2. <u>The subsidiaries, which the Company direct or indirect 100% owned, can endorse or guarantee by each other.</u></p> <p>2.3. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry <u>or collectively constructors</u> for purposes of undertaking a construction project, or where <u>all</u> shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding <u>2</u> paragraphs.<br/><u>The jointly invested which mentioned in the preceding paragraph, means it invested by the Company or by the direct or indirect 100% owned subsidiaries.</u></p> |
| Article 5 | <p>The ceiling on the amount the Company is permitted to make in endorsements/guarantees</p> <p>1. The aggregate amount of endorsements/guarantees provided by the Company is limited to fifty percent (50%) of its net worth. For any one endorsee /guarantee company should not exceed thirty percent (30%) of the Company's net worth.</p> <p>2. For endorsements/guarantees deriving from the business relations, the</p>  | <p>The ceiling on the amount the Company is permitted to make in endorsements/guarantees</p> <p>1. The aggregate amount of endorsements/guarantees provided by the Company is limited to fifty percent (50%) of its net worth. For any one endorsee /guarantee company should not exceed thirty percent (30%) of the Company's net worth.</p> <p>2. For endorsements/guarantees deriving from the business relations, the</p>   |

| Article               | Before Revision   | After Revision   |
|-----------------------|---|--|
|                       | <p>amount provide to any single party shall not exceed the total business amount between the party and the Company over the twelve-month period before the extension of endorsements/guarantees (business amount refers to the higher one of goods sold and goods procured between the party and the Company. “Net worth” as referred to the latest financial reports audited or reviewed by CPA</p>  | <p>amount <u>provided</u> to any single party shall not exceed the total business amount between the party and the Company <del>over the twelve-month period before the extension of endorsements/guarantees (business amount refers to the higher one of goods sold and goods procured between the party and the Company.</del> “Net <del>w</del>Worth” as referred to the latest financial reports audited or reviewed by CPA</p>  |
| Article 7 paragraph 4 | <p>4. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors.</p>  | <p>4. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, <u>and accomplish the plan on schedule.</u> . .</p>   |
| Article 8 paragraph 1 | <p>1. Where a subsidiary of the Company intends to make endorsements/guarantees, the Company shall see that it formulates its own Operational Procedures for making endorsements/guarantees and acts in compliance with these procedures.</p>   | <p>1. Where a subsidiary of the Company intends to make endorsements/guarantees, the Company shall <u>request</u> <del>see that it</del> <u>to</u> formulates its own Operational Procedures for making endorsements/guarantees and <del>acts to</del> <u>execute</u> in compliance with these procedures.</p>   |
| Article 11            | <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence:<br/> 1-1 The aggregate balance of endorsements/guarantees reaches 50 percent or more of the Company's net worth as stated in its latest financial statement, or, after announcement or reporting is made under this paragraph, each instance where the aggregate balance increases by more than 5 percent of the Company's net worth as stated in its latest financial</p> | <p>1. The Company shall announce and report the previous month's balance of endorsements/guarantees of <u>itself head office</u> and its subsidiaries by the 10th day of each month.<br/> <del>2.</del> <u>2.</u> The Company whose <del>balance of</del> endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence:<br/> <del>1-1</del> <u>1-1</u> The aggregate balance of endorsements/guarantees <u>of the Company and its subsidiaries</u> reaches 50 percent or more of the Company's net worth as stated in its latest financial statement, <del>or, after announcement or reporting is made under this paragraph, each instance where the aggregate balance increases by more than 5 percent of</del></p> |

| Article | Before Revision   | After Revision  |
|---------|---|---|
|         | <p>statement.</p> <p>1-2 The balance of endorsements/guarantees for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement, or, after announcement or reporting is made under this paragraph, each instance where the balance for an enterprise increases by more than 5 percent of the Company's net worth as stated in its latest financial statement.</p> <p>1-3 The balance of endorsements/guarantees for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30 percent or more of company's net worth as stated in its latest financial statement, or, after announcement or reporting is made under this paragraph, each instance where the loan balance for a single enterprise increases by more than 5 percent of the company's net worth as stated in its latest financial statement.</p> <p>1-4 The balance of endorsements/guarantees for an enterprise out of business needs exceeds the total trading amount between the two in the most recent year, or, after announcement or reporting is made under this paragraph, the aggregate balance increases by more than 5 percent of the company's net worth as stated in its latest financial statement.</p> <p>2. The Company shall announce and</p> | <p><del>the Company's net worth as stated in its latest financial statement.</del></p> <p><del>±</del>2-2 The balance of endorsements/guarantees <u>of the Company and its subsidiaries</u> for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement, <del>or, after announcement or reporting is made under this paragraph, each instance where the balance for an enterprise increases by more than 5 percent of the Company's net worth as stated in its latest financial statement.</del></p> <p><del>±</del>2-3 The balance of endorsements/guarantees <u>of the Company and its subsidiaries</u> for a single enterprise reaches <del>NT\$10</del> <u>ten</u> millions or more and the aggregate <del>amount</del> <u>balance</u> of all endorsements/guarantees for, long-term investment in, and <del>balance</del> of loans to, such enterprise reaches 30 percent or more of company's net worth as stated in its latest financial statement, <del>or, after announcement or reporting is made under this paragraph, each instance where the loan balance for a single enterprise increases by more than 5 percent of the company's net worth as stated in its latest financial statement.</del></p> <p><del>±</del>2-4 <u>The increased endorsements/guarantees amount of the Company or its subsidiaries reach NT\$ thirty millions and 5% or more of the Company's net worth as stated in its latest financial statement.</u> <del>The balance of endorsements/guarantees for an enterprise out of business needs exceeds the total trading amount between the two in the most recent year, or, after announcement or reporting is made under this paragraph, the aggregate balance increases by more than 5 percent of the company's net worth as stated in its latest financial statement.</del></p> <p><del>2.</del>The Company shall announce and</p> |



| Article | Before Revision  | After Revision   |
|---------|--|--|
|         | <p>report on behalf of any subsidiary thereof that is not the Company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph. The percentage of the balance of endorsements/guarantees over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</p> | <p>report on behalf of any subsidiary thereof that is not the <u>public</u> <del>Company</del> of the Republic of China any matters that such subsidiary is required to announce and report pursuant to <del>any</del> <u>4<sup>th</sup></u> subparagraph of the preceding paragraph. <del>The percentage of the balance of</del> <del>endorsements/guarantees over a</del> <del>company's net worth for a subsidiary</del> <del>under the preceding paragraph shall be</del> <del>calculated by the ratio of the</del> <del>subsidiary's balance of</del> <del>endorsements/guarantees to the</del> <del>Company's net worth.</del></p> |

# **Appendix 1**

## **MACRONIX INTERNATIONAL CO., LTD. ARTICLES OF INCORPORATION**

June 29, 2007  
Revised by the regular shareholders' meeting of 2007

### **CHAPTER 1: GENERAL PROVISIONS**

- Article 1: The Company is incorporated under those provisions of the Company Law relating to companies limited by shares, and is named as "Macronix International Co. Ltd."
- Article 2: The businesses engaged in by this Company shall be as follows:  
The research & development, design, manufacture, testing, sale and consultation of the following products:
- I. Parts and modules for integrated circuit and semi-conductors, and system application products (including integrated circuit cards (boxes) and circuit modules, etc.)
    - (1) IC products for telecommunication systems;
    - (2) IC products for personal computers and peripheral devices;
    - (3) Products for consumable electronic systems;
    - (4) Multi-media computer products;
    - (5) Automatic electro-mechanical integrated products.
  - II. Light and electric components, parts and modules.
  - III. Design of software and process of computer data.
  - IV. To engage in the import and export trading business related to this Company's businesses.
- Article 3: Upon consent of the board of directors, the Company may provide guarantees for third parties in accordance with its Operational Measures Governing Guarantees and Endorsements which shall be separately enacted.
- Article 4: The Company's principal executive offices shall be located in the Science-Based Industrial Park in Hsinchu, Taiwan, R.O.C. The Company may, upon approval of the board of directors and competent authority, establish branch offices in Taiwan or abroad.
- Article 5: The total amount of investment made by this Company shall be exempted from the restriction provided in Article 13 of the Company Law.

### **CHAPTER 2: CAPITAL STOCKS**

- Article 6: The Company's authorized capital is 65.5 billion NT dollars to be divided into 6.55 billion shares, with par value of NT\$10 per share; shares not yet issued will be issued

pursuant to the decision of the Board of Directors.

650 million shares will be reserved from the above authorized capital for employee stock option to be issued pursuant to the decision of the Board of Directors.

Article 7: The share certificate of this Company shall be issued in registered form and signed by or affixed with the seal of at least three directors and numbered accordingly. The shares won't be effective until the authentication of the competent authority or the agencies of issuance and registration under their approval.

When issuing new shares, this Company may print collaborately the total amount of the issuance, but may be exempted from printing the share certificates, including the issuance of security other than shares.

Article 8: The handling of stock affairs of this Company shall be in accordance to the "Guidelines for Handling of Stock Affairs by Public Companies" and other relevant laws and regulations.

Article 9: For any new shares to be issued by the Company, except those set aside to be issued for purchase by employees and others pursuant to relevant laws and regulations, the shareholders shall have the preemptive right to subscribe to the new shares in proportion to their shareholdings.

### **CHAPTER 3: SHAREHOLDERS' MEETINGS**

Article 10: Shareholders' meetings shall be convened as follows:

1. General shareholders' meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year except as otherwise approved by the competent authority for good cause shown.
2. Special shareholders' meetings may be convened according to the laws whenever it is necessary.

Article 11: The chairman of the board shall preside at shareholders' meetings if the shareholders' meeting is convened by the board of directors. When the chairman of the board is unable to preside at a meeting, the directors present shall elect one from among themselves as proxy.

If the shareholders' meeting is convened by others with legitimate right, the one who convenes it shall preside at the meeting. When more than one conveners are present, they shall elect one from among themselves to preside.

Article 12: Notice shall be provided to each shareholder at least thirty (30) days prior to a general shareholders' meeting. Notice shall be provided to each shareholder at least ten (10) days prior to an extraordinary shareholders' meeting. The notice shall state the date and venue of the meeting and the purpose or purposes for which the meeting is called.

Article 13: Except as otherwise provided by the laws and regulations, shareholders of the Company are entitled to one vote for each capital stock.

Article 14: Except as otherwise provided by the laws and regulations, a resolution may be adopted

by the shareholders or proxy of a simple majority of the votes of the issued and outstanding capital stocks represented at a shareholders' meeting at which the shareholders of a majority of issued and outstanding capital are present or by proxy.

Article 15: When a shareholder of the Company is unable to attend a shareholders' meeting for any reason, the shareholder may appoint a representative to attend such shareholders' meeting by presenting a written proxy form, which shall specify the scope of proxy. Where one person is acting as proxy for more than two shareholders, unless such person is engaged in the trust business or other proxy institutions of stock affairs approved by the competent authority, the votes exercised by such person shall not exceed three percent of all the issued and outstanding capital stocks, and the portion in excess thereof shall not be counted.

Article 16: The resolution adopted at the shareholders' meeting shall, pursuant to the laws, be recorded in the minutes of the meetings which shall be signed or sealed by the chairman of the board and kept forever at the Company during its existence. The roster of attendance and the written proxy forms shall be kept for at least a year; provided, however, that shareholder file a litigation in accordance with Article 189 of the Company Law, the minutes shall be kept till the end of such litigation.

Article 16-1: When Powerchip Semiconductor Corp. and its affiliates (individually and/or collectively "PSC") itself serves or designates others to serve the director of this company (individually and/or collectively "PSC Director"), neither PSC nor PSC Director shall use information of this company on matters other than the operation of this company, or disclose such information to any third party. The transaction between this company and each PSC ("Transaction") shall obtain the prior approval of more than one half of the shareholders (other than PSC) attending the shareholders' meeting of this company. However, in the event the Transaction merely grants rights to this company, it can be proceeded if more than one half of the directors of this company (other than PSC Director) approve said Transaction and its details are reported to the following shareholders' meeting. The president of this company shall report the progress of the Transaction to the supervisor from time to time, and the negotiation and conclusion of any and all Transaction shall be represented by non-PSC supervisor(s) of this company. The Transaction is invalid if the foregoing is violated.

#### **CHAPTER 4: DIRECTORS, SUPERVISORS AND MANAGERS**

Article 17: The Company shall have nine to fifteen directors (including three independent directors while the remaining directors are non-independent) to be elected by the Shareholders from nomination list, with a term of three-year and renewable upon re-election. Corporate shareholders may appoint representative to serve the directorship and may appoint new representative to take over as director for the remaining term of the directorship.

Compensation for the chairman, non-independent directors and independent directors shall be determined by the Board of Directors in accordance with their respective participation and contribution to the operations of the business, and the domestic and international business standards. The Company shall purchase liability insurance for the directors (including independent and non-independent).

Article 18: The Company shall have three to four supervisors to be elected by the shareholders from a nomination list, with a term of three-year and renewable upon re-election. In the event an audit committee, i.e., a committee to be formed by at least three independent directors with at least one independent director specialized in accounting or finance) is established, the Company is not required to elect supervisor. In the case that supervisors have been elected, they will be terminated immediately upon the formation of the audit committee and the provisions relating to Supervisor hereof shall become void.

Compensation for supervisors shall be determined in accordance with their participation and value of contribution, and the domestic and international business standards. The Company shall purchase liability insurance for the supervisors.

Corporate shareholders may appoint representative to be elected as supervisors and may appoint new representatives or supervisor to take over as supervisors for the remaining term.

Article 19: The Directors shall elect from among themselves a board chair acting as the representative of the Company, by a majority in a meeting attended by over two-thirds of the Directors.

Article 20: The directors' meeting shall be convened by the chairman of the board. The initial directors' meeting of each term shall be convened by the director who receives the number of ballots representing the largest number of votes. If a director is unable to attend a directors' meeting, the director may appoint another director to attend the meeting as proxy; provided, however, that the proxy shall accept the appointment of one director only. A director who lives abroad may appoint in written form another shareholder domiciled within the territory of R.O.C. to attend regularly by proxy any directors' meeting. Such appointment of proxy shall be registered with the competent authority.

If the directors' meeting is conducted in a manner of digital videoconference, the directors who participate in such conference via digital video shall be deemed be present in person.

Article 21: The notice of directors' meeting shall specify the purposes for which the meeting is convened and the agenda. Notice shall be provided to the directors and supervisors at least seven (7) days prior to a directors' meeting, provided, however, that a special directors' meeting and a managing directors' meeting may be convened without any notice in written form as deemed necessary.

Article 22: The chairman of the board shall preside at directors' or managing directors' meeting.

The chairman of the board shall appoint a managing director as proxy to preside at such meetings when the chairman of the board is unable to preside. In the absence of such appointment, the managing directors or directors shall elect one from amongst themselves.

Article 23: When passing upon any resolution, each director shall have one vote. Unless the laws, regulations or articles of incorporation specifically provide otherwise, a directors' meeting at which a resolution is adopted shall be attended by a majority of the directors and a majority of those present votes in favor of such a resolution. Minutes of directors' meetings shall be prepared to record the businesses transacted at a directors' meeting.

Article 24: Responsibility of the Board of Directors.

1. Approve the operation directives and the long term as well as short term development plans.
2. Review, implement and supervise the annual business plan.
3. Approve the budget and annual financial report.
4. Propose the increase and decrease of capital.
5. Propose distributions of earning and/or offset of losses.
6. Discuss and approve material agreements.
7. Approve the purchase and disposal of material assets.
8. Approve the distributions for technology shares.
9. Propose amendments to these Articles of incorporation.
10. Approve bylaws and internal rules.
11. Approve establishment, restructure or dissolution of branch offices.
12. Approve material capital expenditure.
13. Hiring and dismissing managers.
14. Convene shareholders meeting and report on the operations of the business.
15. Establish functional committees and approve rules regarding said committee.
16. Other authority imposed by law or shareholders' meeting.

Article 25: In the event the supervisor ship is established, the responsibility of such supervisor are as the following:

1. Investigate the business and financial status of the Company.
2. Audit company documents.
3. Supervise business implementations.
4. Other authority imposed by law or by shareholders' meeting.

Article 26: This Company shall have several managers. The appointment, removal and remuneration of such managers shall be determined by a resolution of a directors' meeting which is attended by a majority of directors and where a majority of those present votes are in favor of such a resolution.

Article 27: The manager of this Company, within his powers and authorities, shall have the authority to manage the affairs of this Company and to sign on behalf of the said

Company. The relevant authorization measures shall be stipulated by the board of directors.

Article 28: The fiscal year of this Company shall commence on the first day of January each year and shall end on the thirty-first day of December. A year-end accounting statement shall be prepared at the end of each fiscal year.

Article 29: At the end of the year, the Board of Directors shall deliver the following documents to the annual shareholders' meeting for approval in accordance with applicable laws, and submitted to the relevant government agency:

1. Business reports.
2. Financial statements.
3. Plan to distribute surplus or to appropriate fund in case of loss.

## **CHAPTER 5: ACCOUNTING**

Article 30: In the case that the annual final audit results in surplus, funds shall be appropriated first for income tax payments and to compensate for losses from the previous year; 10% of the surplus shall then be appropriated for the legal reserve (except where legal reserve has exceeded total capital) and to reserve certain surplus in accordance with applicable laws. 2% of the balance will be distributed in cash as compensation for directors and supervisors. The remaining shall be added to the undistributed surplus from previous year and distributed in the following manner: 1) 85% as shareholder dividends; 2) 15% for employee bonus. The employee bonus can be distributed in form, i.e., cash or dividend, similar to shareholders' dividend.

The aforementioned dividends (including shareholder dividends and employee bonus) may be reserved in whole or in part as undistributed surplus to be distributed in the subsequent year.

Distributions shall be made in cash dividends or in stock dividends. Shareholders' dividend and employee bonus shall first be issued in cash dividends, however, the Company may, if necessitated by financial, business, or administrative needs, issue stock dividends, to the extent it does not exceed 50% of the current year's distribution. Employees eligible to receive stock dividends may include employees from the affiliated companies if they meet the criteria set by the Board of Directors.

Article 31: Dividends and bonuses to shareholders shall be distributed to those shareholders whose names are listed on the registrar of shareholders as of the record date set for purposes of the distribution.

Article 32: Any rules or measures related to the articles of incorporation shall be stipulated separately by the board of directors.

## **SECTION 6: SUPPLEMENTARY PROVISIONS**

Article 33: Matters not provided for in this articles of incorporation shall be undertaken in accordance with relevant laws and regulations.

Article 34: This chapter is first enacted on August 21st, 1989; first revised on April 21st, 1990; second revision on September 9th, 1990; third revision on April 27th, 1991; fourth revision on November 9th, 1991; fifth revision on July 18th, 1992; sixth revision on June 19th, 1993; 7th revision on November 27th, 1993; eighth revision on May 28th, 1994; ninth revision on June 5th, 1995; tenth revision on January 24th, 1996; eleventh revision on June 22nd, 1996; twelfth revision on May 31st, 1997; thirteenth revision on June 29th, 1998; fourteenth revision on May 3rd, 2000; sixteenth revision and seventeen revisions on May 30th, 2002; eighteenth revision on June 27th, 2003; nineteenth revision on June 18th, 2004; twentieth revision on June 30th, 2006; twenty-first and twenty-second revision on June 29th, 2007.