

BenQ Corporation

Q1 2007 Investor Briefing

BenQ: Bringing Enjoyment 'N Quality to Life

April 25, 2007

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Meeting Overview

- Q1 Financial Highlights
- Q1 Business Update
- Q2 Guidance
- Spin-Off project

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Safe Harbor Notice

We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.

We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events in the conference might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

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Q1 Financial Highlights

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Q1 2007 Income Statement – QoQ Analysis

Amount : NT\$ Billion Except
EPS Data

	Q4 2006		Q1 2007		QoQ Change%
Net Sales	34.60	100.0%	29.45	100.0%	-15%
Cost of Goods Sold	(31.62)	(91.4%)	(26.76)	(90.9%)	-15%
Gross Profit	2.98	8.6%	2.69	9.1%	-10%
Operating Expenses	(4.15)	(12.0%)	(3.77)	(12.8%)	-9%
Operating Income	(1.17)	(3.4%)	(1.08)	(3.7%)	-8%
Net Non-op Items	(6.72)	(19.4%)	(0.68)	(2.3%)	-90%
Income before Tax	(7.89)	(22.8%)	(1.76)	(6.0%)	-78%
Income Tax	(0.00)	(0.0%)	(0.00)	(0.0%)	-
Net Income	(7.89)	(22.8%)	(1.76)	(6.0%)	-78%
Fully Diluted EPS (NT\$)	(3.08)		(0.69)		
Net Worth per Share (NT\$)	7.61		6.83		

- Net income was improved v.s. Q4 for (1) better margin (2) lower non-opex although revenue dropped on seasonality.
- Non-op items mainly due to interest expense and loss on long-term investments.

Core business unaudited consolidated results.

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Q1 2007 Balance Sheet Highlights

Amount: NT \$ Billion

	Q4 2006		Q1 2007		QoQ Change %
Cash & Equivalent	9.52	9.6%	11.30	11.6%	19%
Accounts Receivable	14.50	14.6%	14.63	15.0%	1%
Inventories	16.41	16.5%	14.58	15.0%	-11%
L-T Investments	35.07	35.2%	33.79	34.7%	-4%
Total Assets	99.67	100.0%	97.39	100.0%	-2%
(Debt)	42.75	42.9%	49.53	50.9%	16%
Accounts Payable	23.78	23.9%	19.22	19.7%	-19%
Total Liabilities	80.19	80.5%	79.90	82.0%	0%
Equities	19.48	19.5%	17.48	18.0%	-10%

- Cash position remained strong.
- Current ratio was improved although debt was increased. (see next page)

Core business unaudited consolidated results.

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Key Financial Ratios

	<u>Q3 2006</u>	<u>Q4 2006</u>	<u>Q1 2007</u>
A/R Turnover	51 days	43 days	43 days
Inventory Turnover	52 days	51 days	52 days
A/P Turnover	86 days	72 days	71 days
ROA	-9.7%	-7.7%	-1.8%
ROE	-40.2%	-35.7%	-9.5%
Current ratio	83.9%	77.1%	92.7%
Total Debt / Total Assets	41.8%	42.9%	50.9%

- *Current ratio improved from replacing short term by long term debts (see next page).*

Core business unaudited consolidated results.

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Activities for financial structure

Amount: NT \$ Billion

	<u>Q4 2006</u>	<u>Q1 2007</u>
Short term loan/bond	24.25	19.44
Long term loan/bond	18.50	25.52
Exchangeable bond	0.00	4.57
(Debt)	42.75	49.53
Total Liabilities	80.19	79.90

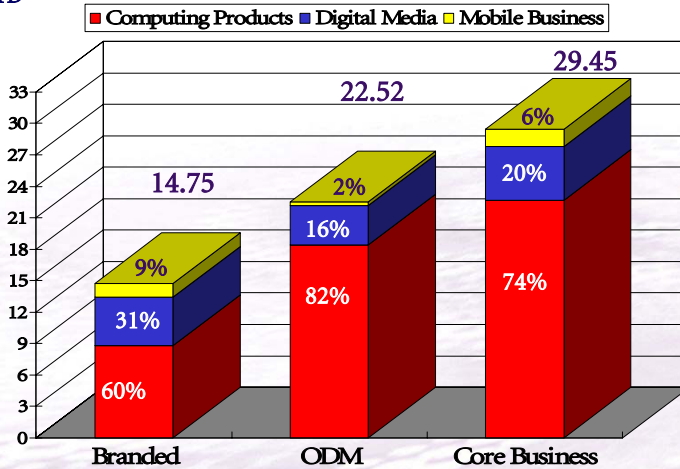
- *Short term loan was reduced and replaced by long term loan.*
- *Financial activities.*
 - *Disposing of long-term investment including PBDS (Q1) and Taiwan Fixed Network (April), cash inflow NT\$ 1 billion.*
 - *Selling of NT\$ 4.54 billion in AU Optronics shares in April 2nd.*

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Q1 Sales Breakdown by Business

Unit: NTD
Billion



- Sales of branded and ODM business balanced development.
- Branded business mainly form LCD monitor, projector, Joybook and mobile products.
- ODM business mainly from LCD monitor.

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Business Update

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Q1 Business Update

- **DMG**
 - LCD Monitor China market share No. 2.
 - Projector : APAC market share No. 2, China No. 3.
 - Maintain high growth in Russia and Eastern Europe.
- **IMS**
 - LCD M & Projector new customers were introduced in Q1.
 - Panel supplies became tight in Q2.
- **MCG**
 - Inventory clearance : volume up in Asia and Europe.
 - Update of German insolvent unit.

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BenQ Corporation.
Consolid Balance Sheet
MAR. 31, 2007

UNIT : NT\$K

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	11,178,606	11.5%	Short term borrowings	17,393,848	17.9%
Assigned financial asset measured at fair value - current	117,686	0.1%	N/P & A/P	13,919,714	14.3%
Net notes and accounts receivable	12,909,337	13.3%	N/P & A/P to related parties	5,295,633	5.4%
N/R & A/R from related parties	1,721,079	1.8%	Bond payable	2,050,000	2.1%
Net inventories	14,580,432	15.0%	Accrued exp. & other current liab.	<u>10,939,347</u>	11.2%
Prepaid expenses & other current assets	<u>5,474,006</u>	5.6%	Total current liabilities	<u>49,598,542</u>	50.9%
Total current assets	<u>45,981,146</u>	47.2%	Long term loan	20,522,094	21.1%
Long term investments	33,787,461	34.7%	Bond payable	9,565,277	9.8%
Fixed assets :	22,757,696	23.4%	Other liabilities	<u>217,643</u>	0.2%
Less : Accumulated depreciation	<u>(7,851,224)</u>	8.1%	Total liabilities	<u>79,903,556</u>	82.0%
Total fixed assets	<u>14,906,472</u>	15.3%	Stockholder' equities	0	
Other assets	2,712,794	2.8%	Common stock	25,648,800	26.3%
			Capital surplus	20,115,024	20.7%
			Legal reserve	1,059,698	1.1%
			Unrealized gain or loss on financial product	<u>(359,454)</u>	-0.4%
			Retained earnings	<u>(29,512,957)</u>	-30.3%
			Translation adjustment	611,590	0.6%
			Treasury stock	<u>(78,384)</u>	-0.1%
			Total stockholder' equities	<u>17,484,318</u>	18.0%
 Total Assets	 <u>\$ 97,387,874</u>	 100.0%	 Total Liabilities & stockholders' equity	 <u>\$ 97,387,874</u>	 100.0%

BenQ Corporation.
Consolid Income Statement
JAN-MAR' 2007

UNIT : NT\$K

Net sales	\$ 29,452,937	100.0%
Cost of goods sold	<u>(26,764,153)</u>	-90.9%
Gross profit	<u>2,688,784</u>	9.1%
Operating expense :	0	
S & M	<u>(2,323,937)</u>	-7.9%
G & A	<u>(583,372)</u>	-2.0%
R & D	<u>(859,942)</u>	-2.9%
Total Operating expense	<u>(3,767,251)</u>	-12.8%
Operating income (loss)	<u>(1,078,467)</u>	-3.7%
Non-operating in net income(loss)	<u>(675,199)</u>	-2.3%
Earning Before income tax	<u>(1,753,666)</u>	-6.0%
Income tax	<u>(1,670)</u>	0.0%
Minority interest in net income (loss)	<u>0</u>	0.0%
Profit after tax	<u>(\$1,755,336)</u>	-6.0%

BenQ Corporation
Reviewed Non-consolidated Balance Sheets (Parent Company Only)
March 31, 2007 and 2006
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2006.3.31			2007.3.31			Liabilities and Stockholders' Equity	2006.3.31			2007.3.31		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$		NT\$	NT\$	US\$	NT\$	NT\$	US\$
Current assets:							Current liabilities:						
Cash and cash equivalents	\$ 91,057	\$ 6,450,725	\$ 194,951				Short-term borrowings	\$ 11,728,037	\$ 11,001,396	\$ 332,479			
Financial asset measured at fair value—current	81,383	20,181	610				Financial liabilities measured at fair value-current	109,709	253,408	7,658			
Notes and accounts receivable, net	4,663,599	3,636,543	109,902				Notes and accounts payable	5,057,552	2,549,365	77,045			
Receivables from related parties	25,666,233	18,302,132	553,118				Accounts payables to related parties	14,528,183	7,436,657	224,747			
Other receivables	4,974,454	3,515,919	106,256				Accrued expenses	3,138,684	6,257,745	189,119			
Other receivables from related parties	744,134	703,959	21,275				Other payables to related parties	310,383	212,085	6,410			
Other financial assets—current	26,410	16,682	504				Other current liabilities	479,688	221,254	6,687			
Inventories, net	5,284,556	2,512,424	75,929				Bonds payable	1,000,000	2,050,000	61,954			
Prepaid expenses and other current assets	1,318,673	92,672	2,801				Deferred inter-company profit	299,309	165,236	4,994			
Available for-sale noncurrent asset	-	218,068	6,590				Total current liabilities	36,651,545	30,147,146	911,093			
Deferred income tax assets-current	768,563	61,264	1,852										
Total current assets	43,619,062	35,530,569	1,073,788				Bonds payable	7,050,000	9,565,277	289,077			
							Long Term Loans	2,994,028	19,000,000	574,209			
Long-term equity investments:							Other liabilities	-	1,950,492	58,947			
Available for-sale financial asset-noncurrent	-	3,147,616	95,126				Total liabilities	46,695,573	60,662,915	1,833,326			
Under equity method	32,356,055	31,304,895	946,081										
Financial asset measured at holding cost-non current	1,405,406	187,413	5,664				Stockholders' equity:						
	<u>33,761,461</u>	<u>34,639,924</u>	<u>1,046,871</u>				Common stock	26,199,785	25,648,800	775,146			
Property, plant and equipment:							Convertible bonds applied for conversion	49,015	-	-			
Land	2,135,410	2,137,718	64,605					<u>26,248,800</u>	<u>25,648,800</u>	<u>775,146</u>			
Buildings	3,555,611	3,786,562	114,435				Capital surplus:						
Machinery and equipment	2,451,849	2,022,916	61,136				Additional paid-in capital in excess of the common stock's par	8,295,561	8,105,940	244,974			
Furniture and fixtures	149,380	174,532	5,275				Convertible bonds converted in excess of the common stock's par	7,248,958	7,083,260	214,067			
Miscellaneous equipment	69,501	73,888	2,233				Capital surplus from treasury stock transactions	12,432	-	-			
Prepayments for plant and equipment	341,486	247,661	7,485				Capital surplus from long-term equity investments	3,085,947	4,925,825	148,866			
	<u>8,703,237</u>	<u>8,443,277</u>	<u>255,169</u>					<u>18,642,898</u>	<u>20,115,025</u>	<u>607,907</u>			
Less: accumulated depreciation	(2,937,362)	(2,798,210)	(84,566)				Legal reserves	4,016,353	1,059,698	32,025			
Net property, plant and equipment	5,765,875	5,645,067	170,603				Retained earnings(loss)	(8,035,957)	(29,590,100)	(894,258)			
							Special reserves	81,754	-	-			
Other assets :							Translation adjustment	447,106	611,590	18,483			
Assets for lease	992,565	56,282	1,701				Unrealized gain or loss on financial product	(707)	(359,454)	(10,863)			
Refundable deposits	9,194	8,918	270				Treasury stock	(1,836,963)	(78,384)	(2,369)			
Deferred assets	1,407,391	814,240	24,607				Total stockholders' equity	39,563,284	17,407,175	526,071			
Deferred income tax assets-non current	703,309	1,375,090	41,557				Total liabilities and stockholders' equity	\$ 86,258,857	\$ 78,070,090	\$ 2,359,397			
Total other assets	3,112,459	2,254,530	68,135										
Total assets	\$ 86,258,857	\$ 78,070,090	\$ 2,359,397										

(Note: Translation of the March 31, 2007, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of the Bank of Taiwan on March 31, 2007, of NT\$33.089 to US\$1 uniformly for all the financial statements accounts.)

BenQ Corporation

Reviewed Non-consolidated Statements of Income (Parent Company Only)
For the three-month periods ended March 31, 2007 and 2006
 (expressed in thousands of New Taiwan dollars and dollars, except earnings per share)

	2006 Q1	2007 Q1	
	NT\$	NT\$	US\$
Net sales	\$ 34,218,730	\$ 24,800,033	\$ 749,495
Cost of goods sold	(33,153,982)	(24,069,607)	(727,420)
	<u>1,064,748</u>	<u>730,426</u>	<u>22,075</u>
Change in unrealized inter-company profits	33,393	16,744	506
Gross profit	<u>1,098,141</u>	<u>747,170</u>	<u>22,581</u>
Operating expenses:			
Selling	(844,325)	(691,650)	(20,903)
Administrative	(294,231)	(151,850)	(4,589)
Research and development	(910,241)	(668,566)	(20,205)
	<u>(2,048,797)</u>	<u>(1,512,066)</u>	<u>(45,697)</u>
Operating loss	<u>(950,656)</u>	<u>(764,896)</u>	<u>(23,116)</u>
Non-operating income:			
Interest income	6,748	19,942	603
Gain on disposal of property, plant and equipment	272	603	18
Gain on disposal of investments, net	76	130,373	3,940
Foreign exchange gain, net	207,898	43,760	1,323
Others	93,205	19,601	592
	<u>308,199</u>	<u>214,279</u>	<u>6,476</u>
Non-operating expenses:			
Interest expense	(188,960)	(405,507)	(12,255)
Investment loss recorded under the equity method, net	(4,064,875)	(552,659)	(16,702)
Loss on disposal of property, plant and equipment	(203)	(218)	(7)
Financial products revaluation loss	(100,354)	(245,112)	(7,408)
Others	(679)	(400)	(12)
	<u>(4,355,071)</u>	<u>(1,203,896)</u>	<u>(36,384)</u>
Net income before income tax expense	<u>(4,997,528)</u>	<u>(1,754,513)</u>	<u>(53,024)</u>
Income tax expense	(19)	(823)	(25)
Net Loss	<u>(\$4,997,547)</u>	<u>(\$1,755,336)</u>	<u>(\$53,049)</u>
Loss per share:			
Basic loss per share	<u>(\$1.95)</u>	<u>(\$0.69)</u>	<u>(\$0.02)</u>

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Reviewed Non-consolidated Statements of Cash Flows (Parent Company Only)
For the three-month periods ended March 31, 2007 and 2006
(expressed in thousands of New Taiwan dollars and US Dollars)

	2006 Q1	2007 Q1	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net loss	(\$4,997,547)	(\$1,755,336)	(\$53,049)
Adjustments to reconcile net income to net cash provided by (used in)			
Depreciation	116,409	89,978	2,719
Amortization	151,107	113,803	3,439
Amortization for exchangeable bond	-	31,077	939
Change in provision for bad debt and sales allowance	(60,533)	(2,029)	(61)
Change in provision for inventory obsolescence	12,123	(204,457)	(6,179)
Investment loss on long-term equity investments, net	4,064,875	552,659	16,702
Investment gain on for-sale long-term investments	-	(5,447)	(165)
Ggain on disposal of financial asset measured at fair value, net	(76)	-	-
Loss on disposal of financial asset measured at holding cost	90	2,286	69
Gain on disposal of long-term equity investments, net	-	(127,211)	(3,845)
Gain on disposal of property, plant and equipment	(69)	(385)	(12)
Unrealized foreign exchange gain on overseas convertible bonds	(2,431)	-	-
Reversal for redemption of overseas convertible bonds	(250)	-	-
Amortization of bond issuance cost	567	2,810	85
Differences in accounts in the accompanying balance sheets:			
Notes and accounts receivable	1,896,066	(59,172)	(1,788)
Receivables from related parties	(412,128)	2,998,607	90,623
Other receivable	2,203,646	(122,572)	(3,704)
Inventories	284,676	778,352	23,523
Other financial assets-current	(1,273)	(534)	(16)
Prepaid expenses and other current assets	(61,527)	172,801	5,222
Notes and accounts payable	351,508	(770,979)	(23,300)
Payables to related parties	(6,344,623)	(7,423,641)	(224,354)
Financial asset and liability measured at fair value	368,934	245,112	7,408
Deferred inter-company profit	(33,393)	(16,744)	(506)
Accrued expenses and other current liabilities	275,175	(1,577,832)	(47,684)
Income tax payables	34,861	-	-
Deffered income tax assets	(35,517)	-	-
Other liabilities	(4,776)	(4,776)	(144)
Net cash used in operating activities	<u>(2,194,106)</u>	<u>(7,083,630)</u>	<u>(214,078)</u>
Cash flows from investing activities:			
Additions to long-term investments	(6,390,720)	-	-
Additions to property, plant and equipment	(85,101)	(53,530)	(1,618)
Proceeds from disposal of long-term equity investments	29,910	1,479,530	44,714
Proceeds from disposal of property, plant and equipment	-	4,200	127
Increase in refundable deposits and deferred assets	(517,145)	(29,953)	(905)
Net cash provided by (used in) investing activities	<u>(6,963,056)</u>	<u>1,400,247</u>	<u>42,318</u>
Cash flows from financing activities:			
Increase in long-term borrowings	-	7,000,000	211,550
Increase(decrease) in short-term borrowings	9,092,900	(2,685,873)	(81,171)
Acquistion of bond	(6,470)	-	-
Issurance of exchangeable bond	-	4,500,000	135,997
Net cash provided by financing activities	<u>9,086,430</u>	<u>8,814,127</u>	<u>266,376</u>
Net increase (decrease) in cash and cash equivalents	<u>(70,732)</u>	<u>3,130,744</u>	<u>94,616</u>
Cash and cash equivalents at beginning of period	<u>161,789</u>	<u>3,319,981</u>	<u>100,335</u>
Cash and cash equivalents at end of period	<u>\$91,057</u>	<u>\$6,450,725</u>	<u>\$194,951</u>
Additional disclosure of cash flow information:			
Cash paid during the period for:			
Interest, excluding capitalized interest	<u>\$158,376</u>	<u>\$305,128</u>	<u>\$9,221</u>
Income taxes	<u>\$676</u>	<u>\$2,436</u>	<u>\$74</u>
Supplemental disclosure of non-cash investing and financial activities:			
Increase (decrease) in capital surplus from long-term equity investments	<u>(\$11,946)</u>	<u>\$37</u>	<u>\$1</u>
Increase in translation adjustment	<u>\$12,346</u>	<u>\$20,241</u>	<u>\$669,754</u>
Convertible bonds converted to common stock and capital surplus	<u>\$129,511</u>	<u>-</u>	<u>-</u>
Cancellation treasury stock	<u>-</u>	<u>\$1,759,157</u>	<u>\$53,164</u>