

Qisda Corporation Investor Conference 2009 Q2 Results

August 27, 2009

Qisda

Outline

- 2009 Q2 Financial Results
- 2009 Q2 Business Summary
- 2009 Q3 Guidance

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.

2009 Q2 Financial Results

2009 Q2 Financial Highlight

- Positive operating income for 3 consecutive quarters
- Revenue grew 9% QoQ. (17% QoQ if Q1 TV sales excluded)
- Operating income further improved from NT\$ 59 M to NT\$ 291 M

Q2 Income Statement QoQ Analysis

Amount : NT\$ Billion

	2009 Q2		2009 Q1		QoQ
Net Sales	19.68	100.0%	18.02	100.0%	9.2%
COGS	(18.12)		(16.77)		
Gross Margin	1.56	8.0% ^(a)	1.25	6.9%	+1.1 ppt
Opex	(1.27)	(6.5%)	(1.19)	(6.6%)	
Operating Income	0.29	1.5%	0.06	0.3%	+1.2 ppt
Net Non-op Items ^(b)	(0.63)		(2.18)		
Income before Tax	(0.34)		(2.12)		
Net Income	(0.44)	(2.2%)	(2.15)	(11.9%)	+9.7 ppt
EPS-Diluted (NT\$)	(0.23)		(1.11)		
Net Worth / Share (NT\$)	10.60		10.94		

(a) Non-recurrent income contributed to 0.5% of Q2 gross margin

(b) Non-op items were mainly non-cash investment losses

* Core business unaudited consolidated result

* EPS-Diluted was calculated based on total diluted weighted average outstanding shares (1,926 m shares)

* Net Worth per share was calculated based on total outstanding shares (1,926 m shares)

Q2 Balance Sheet Highlight

Amount: NT \$ Billion

	2009 Q2		2009 Q1		QoQ
Cash & Equivalent	7.82	10.9%	7.81	10.8%	0.01
Accounts Receivable	9.13	12.7%	8.60	11.9%	0.53
Inventory	6.94	9.7%	6.96	9.6%	(0.02)
L-T Investments	32.79	45.7%	33.89	46.9%	(1.10)
Total Assets	71.70	100.0%	72.21	100.0%	(0.51)
Fin. Debt	27.90	38.9%	27.75	38.4%	0.15
Accounts Payable	13.14	18.3%	12.64	17.5%	0.50
Total Liabilities	51.29	71.5%	51.14	70.8%	0.15
Equity	20.41	28.5%	21.06	29.2%	(0.65)

* Core business unaudited consolidated result
* Fin. Debt included long term and short term financial debt

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6 

Q2 Key Financial Ratio

	2009 Q2	2009 Q1	QoQ
A/R Turnover	39 days	36 days	3 days
Inventory Turnover	35 days	36 days	(1) days
A/P Turnover	68 days	70 days	(2) days
Cash Conversion Cycle	6 days	2 days	4 days
ROA	(0.6%)	(2.8%)	+2.2 ppt
ROE	(2.1%)	(9.8%)	+7.7 ppt
Current ratio	75.9%	76.7%	-0.8 ppt
Fin. Debt / Total Assets	38.9%	38.4%	+0.5 ppt

* Core business unaudited consolidated result
* ROA and ROE were calculated on a quarterly basis

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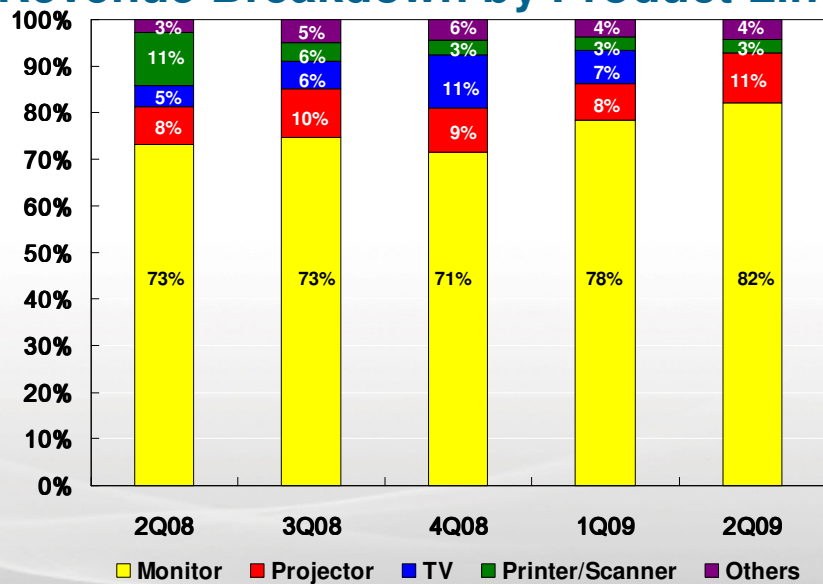
7 

2009 Q2 Business Summary

Qisda

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Revenue Breakdown by Product Line



Note : Others include those products with revenue share below 3%, such as professional & industrial displays, mobile phone, digital photo frame, handheld infotainment device, automobile electronics, and others

Qisda

2009 Q2 Business Summary

- **Monitor :**

- Unit shipment increased by 20% QoQ
- ASP slightly reduced due to model mix

- **Projector :**

- Unit shipment increased by 60% QoQ

- **Transfer of TV business to AUO completed**

Quality
Innovation
Speed

Qisda Corporation.
Unaudited Core Business Consolidated Balance Sheet
JUN ,30, 2009

UNIT : NT\$K

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	7,824,068	10.9%	Short term borrowings	8,255,494	11.5%
Net notes and accounts receivable	5,460,119	7.6%	N/P & A/P	12,130,590	16.9%
N/R & A/R from related parties	3,666,300	5.1%	N/P & A/P to related partie	1,007,216	1.4%
Net inventories	6,939,192	9.7%	Bond payable	6,305,397	8.8%
Prepaid expenses & other current assets	<u>3,993,482</u>	5.6%	Accrued exp. & other current liab.	<u>9,060,810</u>	12.6%
Total current assets	27,883,161	38.9%	Total current liabilities	36,759,507	51.3%
Long term investments	32,785,478	45.7%	Long term loan	13,298,834	18.5%
Fixed assets :	16,962,607	23.7%	Bond payable	110,352	0.2%
Less : Accumulated depreciation	<u>(7,469,131)</u>	10.4%	Other liabilities	<u>1,122,106</u>	1.6%
Total fixed assets	9,493,476	13.2%	Total liabilities	51,290,799	71.5%
Other assets	1,540,443	2.1%	Stockholder' equities		
			Common stock	19,282,176	26.9%
			Capital surplus	4,942,539	6.9%
			Legal reserve	0	0.0%
			Unrealized gain or loss on financial product	<u>(2,127,322)</u>	-3.0%
			Retained earnings	<u>(2,586,770)</u>	-3.6%
			Translation adjustment	978,796	1.4%
			Treasury stock	<u>(77,660)</u>	-0.1%
			Total stockholder' equities	20,411,759	28.5%
 Total Assets	 <u>\$ 71,702,558</u>	 100.0%	 Total Liabilities & stockholders' equity	 <u>\$ 71,702,558</u>	 100.0%

Qisda Corporation.
Unaudited Core Business Consolidated Income Statement
JAN~JUN' 2009

UNIT : NT\$K

Net sales	\$ 37,697,398	100.0%
Cost of goods sold	<u>(34,884,259)</u>	-92.5%
Gross profit	2,813,139	7.5%
Operating expense :		
S & M	(964,918)	-2.6%
G & A	(541,682)	-1.4%
R & D	<u>(956,738)</u>	-2.5%
Total Operating expense	(2,463,337)	-6.5%
Operating income (loss)	349,801	0.9%
Non-operating in net income(loss)	<u>(2,816,292)</u>	-7.5%
Earning Before income tax	(2,466,491)	-6.5%
Income tax	(120,279)	-0.3%
Profit after tax	<u><u>(\$2,586,770)</u></u>	-6.9%

Qisda Corporation
Non-consolidated Balance Sheets
June 30, 2008 and 2009
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2008.6.30			2009.6.30			Liabilities and Stockholders' Equity	2008.6.30			2009.6.30		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$		NT\$	NT\$	US\$	NT\$	NT\$	US\$
Current assets:							Current liabilities:						
Cash and cash equivalents (note 4(a))	\$ 795,979	\$ 3,790,988	115,685				Short-term borrowings (note 4(g))	\$ 3,375,831	\$ 4,903,444	\$ 149,632			
Financial assets at fair value through profit or loss – current (note 4(b))	48,869	-	-				Financial liabilities at fair value through profit or loss – current (note 4(b))	578,492	68,232	2,082			
Notes and accounts receivable (note 4(c))	4,826,468	3,389,869	103,444				Accounts payable	1,957,675	2,004,414	61,166			
Accounts receivable from related parties (notes 4(e) and 5)	10,893,452	6,682,096	203,909				Accounts payable to related parties (note 5)	2,091,636	2,171,829	66,275			
Other receivables, net (notes 4(c) and 7(l))	1,430,041	1,096,236	33,452				Other payable to related parties (note 5)	560,506	81,622	2,491			
Other receivable from related parties (note 5)	2,102,749	2,023,660	61,754				Accrued expenses (notes 4(h) and 7(k))	4,645,289	3,977,304	121,370			
Other financial assets – current (note 6)	533,229	-	-				Advance receipts	304,325	207,553	6,334			
Inventories (note 4(d))	2,288,649	1,142,865	34,875				Other current liabilities (notes 4(f) and 7(k))	143,482	2,528,391	77,156			
Prepaid expenses and other current assets	100,436	55,331	1,689				Bonds payable due within one year (note 4(i))	4,468,040	1,600,000	48,825			
Deferred income tax assets – current (note 4(l))	171,116	273,904	8,358				Long-term debt due within one year (notes 4(j) and 6)	-	4,200,000	128,166			
Total current assets	23,190,988	18,454,949	563,166				Deferred inter-company profits (note 5)	210,494	328,333	10,019			
							Total current liabilities	18,335,770	22,071,122	673,516			
Long-term investments:							Financial liabilities at fair value through profit or loss – noncurrent (note 4(b))	-	15,584	476			
Equity method (notes 4(e), 5 and 6)	39,972,413	32,464,678	990,683				Bonds payable (note 4(i))	1,600,000	110,352	3,367			
Available-for-sale financial assets – noncurrent (notes 4(b) and 6)	2,490,556	2,291,966	69,941				Long-term debt (notes 4(j) and 6)	19,000,000	12,800,000	390,601			
Financial assets carried at cost – noncurrent (note 4(b))	170,594	75,824	2,314				Other liabilities :						
	42,633,563	34,832,468	1,062,938				Deferred profits on sale-leaseback transaction (note 4(f))	882,510	773,334	23,599			
Property, plant and equipment: (notes 4(f) and 5)							Other liabilities (note 4 (e))	19,105	382,336	11,667			
Land	653,339	686,717	20,956				Total other liabilities	901,615	1,155,670	35,266			
Buildings	1,482,218	1,576,537	48,109				Total liabilities	39,837,385	36,152,728	1,103,226			
Machinery and equipment	1,073,615	921,282	28,114				Stockholders' equity: (notes 4 (b)(m))						
Furniture and fixtures	115,175	115,624	3,528				Common stock	17,650,700	19,282,176	588,409			
Miscellaneous equipment	51,796	46,900	1,431				Stock dividends to be distributed	1,631,476	-	-			
Prepayments for plant and equipment	33,696	-	-				Capital surplus:						
	3,409,839	3,347,060	102,138				Additional paid-in-capital in excess of the common stock's par value	2,738,580	1,196,757	36,520			
Less: accumulated depreciation	(1,543,217)	(1,478,317)	(45,112)				Capital surplus from long-term equity investments	5,017,461	3,745,783	114,305			
Net property, plant and equipment	1,866,622	1,868,743	57,026					7,756,041	4,942,540	150,825			
Intangible assets	191,397	52,401	1,599				Legal reserve	344,527	-	-			
Other assets :							Special reserve	175,173	-	-			
Assets for lease (note 4(f))	125,819	36,745	1,121				Retained earnings (accumulated deficit)	3,408,015	(2,586,770)	(78,937)			
Idle assets (note 4(f))	104,324	104,324	3,183				Cumulative translation adjustment	437,279	978,796	29,869			
Refundable deposits	96,352	92,380	2,819				Unrealized loss on available-for-sale financial assets	(1,819,745)	(2,127,322)	(64,917)			
Deferred expenses	36,920	112,215	3,424				Treasury stock	(46,890)	(77,660)	(2,369)			
Deferred income tax assets – noncurrent (note 4(l))	1,034,666	904,345	27,597				Total stockholders' equity	29,536,576	20,411,760	622,880			
Prepaid pension cost (note 4(k))	93,310	105,918	3,233				Commitments and contingencies (notes 4(b)(j), 5 and 7)						
Total other assets	1,491,391	1,355,927	41,377				Total liabilities and stockholders' equity	\$ 69,373,961	\$ 56,564,488	\$ 1,726,106			
Total assets	\$ 69,373,961	\$ 56,564,488	1,726,106										

(Note: Translation of New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the moon buying rate of the Federal Reserve Bank in New York on June 30, 2009, of NT\$32.77 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation

Non-consolidated Statements of Operations
 For the six-month periods ended June 30, 2008 and 2009
 (expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2008 Q2		2009 Q2			
	NT\$	NT\$	NT\$	US\$		
Net sales (note 5)	\$ 43,408,462	22,907,996		699,054		
Cost of goods sold (notes 4(d), 5 and 10)	(42,471,927)	(20,854,604)		(636,393)		
Gross profit	936,535	2,053,392		62,661		
Change in unrealized inter-company profits (note 5)	122,471	(25,233)		(770)		
Realized gross profit	1,059,006	2,028,159		61,891		
Operating expenses (notes 4(f)(m), 5 and 10):						
Selling	(642,511)	(391,157)		(11,937)		
Administrative	(372,085)	(261,148)		(7,969)		
Research and development	(1,422,962)	(847,177)		(25,852)		
	(2,437,558)	(1,499,482)		(45,758)		
Operating income (loss)	(1,378,552)	528,677		16,133		
Non-operating income:						
Interest income (note 5)	19,276	14,609		446		
Investment income recorded under the equity method, net (note 4(e))	3,967,647	-		-		
Evaluation gain on financial instruments, net (notes 4(b)(o))	295,890	-		-		
Gain on disposal of property, plant and equipment (note 5)	12,449	1,036		31		
Gain on disposal of investments, net (note 4(e))	647	23		1		
Others (note 5)	90,971	161,939		4,942		
	4,386,880	177,607		5,420		
Non-operating expenses:						
Interest expense	(633,800)	(314,671)		(9,603)		
Investment loss recorded under the equity method, net (note 4(e))	-	(2,771,030)		(84,560)		
Other investment loss (note 4(b))	-	(82,684)		(2,523)		
Loss on disposal of property, plant and equipment (note 5)	(13,070)	(5)		-		
Foreign currency exchange loss, net	(39,820)	(12,267)		(374)		
Evaluation loss on financial instruments, net (notes 4(b)(o))	-	(65,261)		(1,992)		
Others (note 4(i))	(1,960)	(19,603)		(598)		
	(688,650)	(3,265,521)		(99,650)		
Income (loss) before income tax	2,319,678	(2,559,237)		(78,097)		
Income tax expense (note 4(l))	-	(27,533)		(840)		
Net income (loss)	\$2,319,678	(2,586,770)		(78,937)		
Earnings per share (expressed in New Taiwan Dollars) (note 4(n)):	Before tax	After tax	Before tax	After tax	Before tax	After tax
Basic earnings per share	1.30	1.30	(1.33)	(1.34)	(0.041)	(0.041)
Diluted earnings per share	1.28	1.28				

Qisda Corporation

Non-consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2008 and 2009
(expressed in thousands of New Taiwan dollars and US Dollars)

	2008 Q2	2009 Q2	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	\$2,319,678	(\$2,586,770)	(\$78,937)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	91,956	70,771	2,160
Amortization	185,076	35,113	1,071
Amortization of bond discount	44,050	6,658	203
Change in provision for bad debt	(36,065)	(11,756)	(359)
Change in provision for inventory obsolescence	(2)	(7,194)	(220)
Investment loss (income) recorded under the equity method, net	(3,967,647)	2,771,030	84,560
Gain on disposal of long-term investments accounted for by equity method	(647)	(23)	(1)
Loss on redemption of bonds	-	10,511	321
Impairment loss on financial assets carried at cost	-	82,684	2,523
Loss (gain) on disposal of property, plant and equipment, net	621	(1,031)	(31)
Amortization of deferred profits on sale-leaseback transaction	(54,589)	(54,589)	(1,666)
Amortization of bond issuance costs	7,420	9,307	284
Differences in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	(295,890)	65,261	1,992
Notes and accounts receivable	1,107,359	1,191,141	36,349
Receivables from related parties	6,768,266	428,824	13,086
Other receivables	559,626	(32,571)	(994)
Inventories	1,446,499	298,335	9,104
Other financial assets— current	(30,178)	492,900	15,041
Prepaid expenses and other current assets	(3,767)	53,754	1,640
Deferred income tax assets	-	27,533	840
Prepaid pension cost	(7,220)	(5,351)	(163)
Accounts payable	(784,958)	856,792	26,146
Payables to related parties	(5,302,634)	866,959	26,456
Deferred inter-company profit	(122,471)	25,233	770
Accrued expenses and other current liabilities	(425,871)	2,563,017	78,212
Other liabilities	(9,546)	(9,553)	(292)
Net cash provided by operating activities	<u>1,489,066</u>	<u>7,146,985</u>	<u>218,095</u>
Cash flows from investing activities:			
Increase in loan to related parties	-	(1,418,390)	(43,283)
Addition to long-term equity investments	(307,270)	(34,100)	(1,040)
Additions to property, plant and equipment	(64,673)	(66,645)	(2,034)
Proceeds from disposal of idle assets	-	742	23
Proceeds from disposal of property, plant and equipment	28,526	13,089	399
Increase in refundable deposits and deferred assets	(48,726)	(102,700)	(3,134)
Proceeds from investees' capital reduction	6,773	623	19
Net cash used in investing activities	<u>(385,370)</u>	<u>(1,607,381)</u>	<u>(49,050)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(5,318,893)	(4,050,096)	(123,592)
Decrease in long-term debt	-	(2,000,000)	(61,031)
Redemption of bonds	(1,200,000)	(3,622,400)	(110,540)
Issuance of common stock for cash	5,000,000	-	-
Net cash used in financing activities	<u>(1,518,893)</u>	<u>(9,672,496)</u>	<u>(295,163)</u>
Net decrease in cash and cash equivalents	<u>(415,197)</u>	<u>(4,132,892)</u>	<u>(126,118)</u>
Cash and cash equivalents at beginning of period	<u>1,211,176</u>	<u>7,923,880</u>	<u>241,803</u>
Cash and cash equivalents at end of period	<u>\$795,979</u>	<u>\$3,790,988</u>	<u>\$115,685</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$704,529</u>	<u>\$371,437</u>	<u>\$11,335</u>
Income taxes	<u>\$28,535</u>	<u>\$8,807</u>	<u>\$269</u>
Supplemental disclosure of non-cash investing and financial activities:			
Changes in unrealized loss on available-for-sale financial assets	<u>(\$769,581)</u>	<u>\$671,249</u>	<u>\$20,484</u>
Adjustments of net equity of investee companies	<u>(\$348,623)</u>	<u>(\$297,031)</u>	<u>(\$9,064)</u>
Decrease in cumulative translation adjustment	<u>(\$250,491)</u>	<u>(\$73,520)</u>	<u>(\$2,244)</u>