

2002 2nd Quarter Earnings Release

第二季法人說明會

August 22, 2002

BenQ

Agenda

- **Welcome**
- **2Q '02 Financial Results** **Alex Liou**
- **Remarks** **Sheaffer Lee**
- **Q&A** **Alex Liou**

Safe Harbor Notice

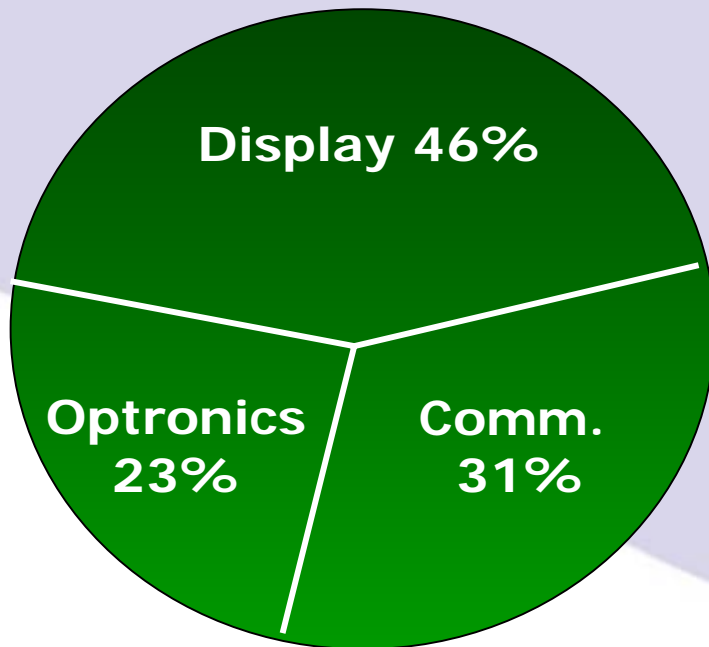
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Sales and Profit (CORE Business)

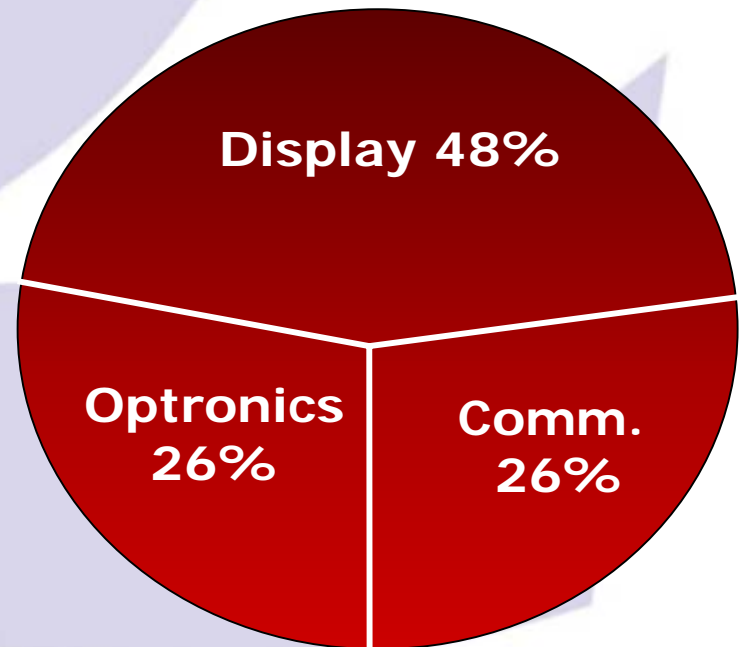
NT billion	Q2 '02		Q1 '02	
Net Sales	26.65	100.0%	27.43	100.0%
Gross Margin	4.03	15.1%	4.70	17.1%
Operating expenses	(2.49)	9.3%	(2.29)	8.3%
Operating Income	1.54	5.8%	2.41	8.8%
Income Before Tax	2.68	10.1%	2.52	9.2%
Net Income	2.41	9.0%	2.16	7.9%

Sales Breakdown by Product

Q2 '02

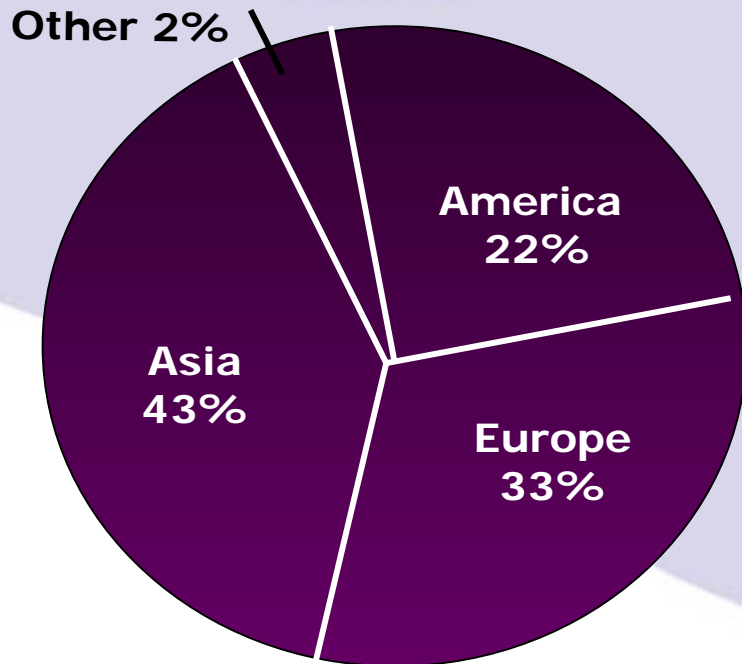


Q1 '02

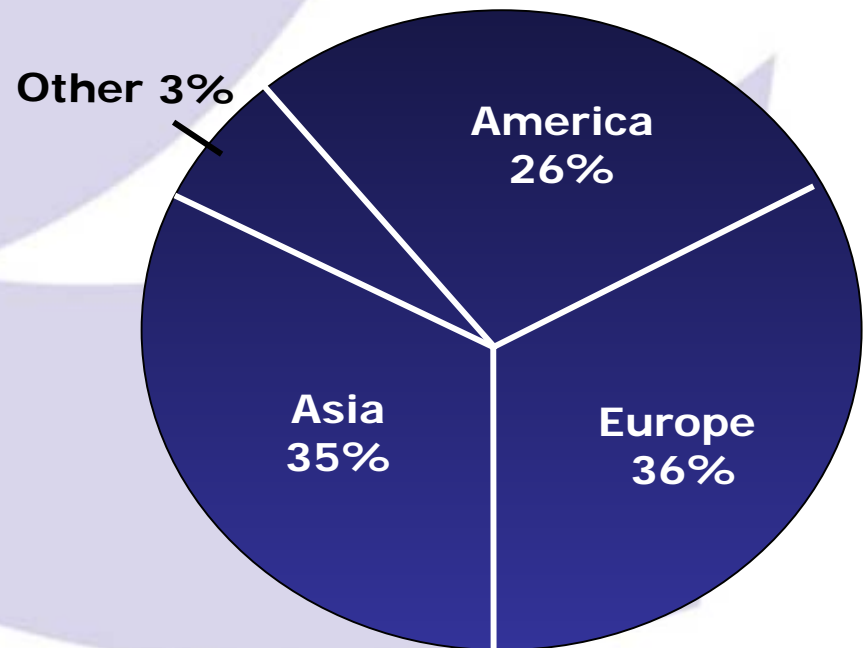


Sales Breakdown by Geography

Q2 '02

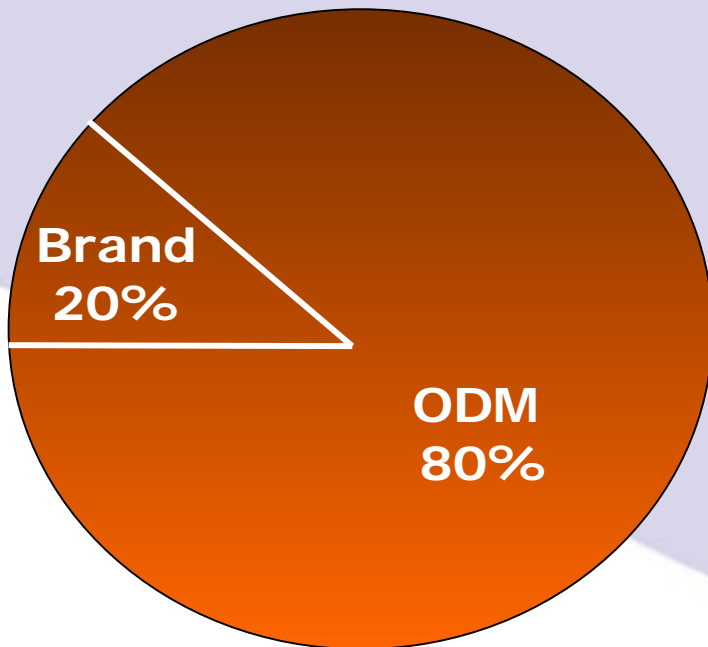


Q1 '02

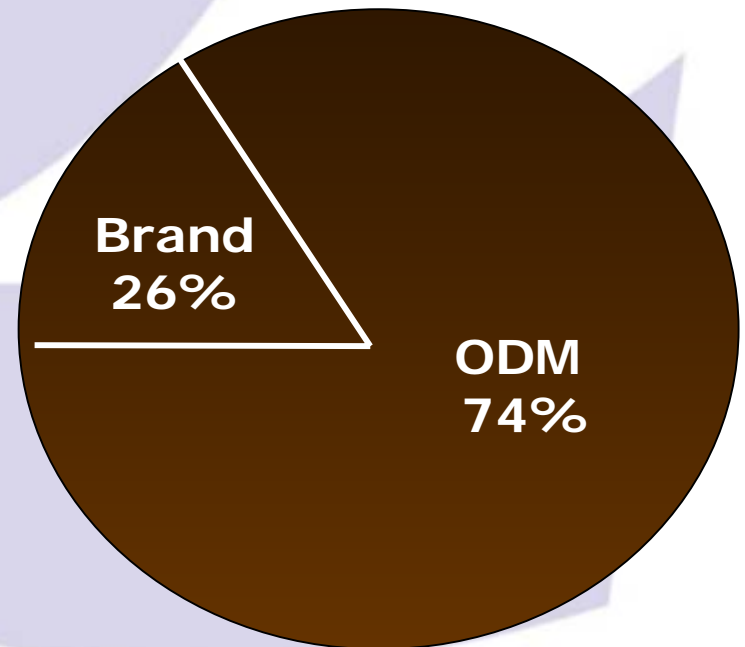


Sales Breakdown by Business Type

Q2 '02



Q1 '02



Key Balance Sheet Items

NT billion

	Q2 '02	Q1 '02
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Cash & Marketable	9.94	5.21
Account Receivable	13.00	18.88
Inventories	10.44	11.71
Total Assets	67.68	68.77
Liabilities	30.46	35.57
(Debts)	7.48	10.10
Equity	37.22	33.20

Key Financial Ratios

NT billion	Q2 '02	Q1 '02
AR Turnover	54 days	57 days
Inventory Turnover	44 days	45 days
ROA*	14.58%	12.56%
ROE*	27.04%	26.02%

* Annualized

3Q '02 Guidance

- Revenue from PC related product will pick up month by month.
- LCD Monitor demand will be pretty strong in Q4.
- Optical storage business bottomed out in June, and caught up since July.
- Handset shipments will slow down in Q3 due to model transition.
- Will put more resources to develop integrated products and communication products.

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Audited Non-consolidated Balance Sheets (Parent Company Only)

June 30, 2001 and 2002

(expressed in thousands of New Taiwan dollars)

Assets	<u>2002</u> NT\$	<u>2001</u> NT\$	Liabilities and Stockholders' Equity	<u>2002</u> NT\$	<u>2001</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	280,710	1,442,490	Short-term borrowings	-	1,135,873
Short-term investments	7,920,573	2,130,282	Current portion of long-term debt	40,190	20,095
Notes and accounts receivable	7,456,786	2,201,982	Notes and accounts payable	6,526,024	3,218,205
Receivables from related parties	8,355,281	6,193,743	Payables to related parties	7,691,995	3,298,535
Inventories	4,839,089	3,118,617	Accrued expenses and other current liabilities	5,810,072	2,675,089
Prepaid expenses and other current assets	<u>993,947</u>	<u>756,946</u>	Bonds payable	207,800	212,800
Total current assets	<u>29,846,386</u>	<u>15,844,060</u>	Deferred intercompany profit	<u>123,283</u>	<u>77,890</u>
			Total current liabilities	20,399,364	10,638,487
Long-term investments	<u>24,553,579</u>	<u>23,205,777</u>	Bonds payable	4,520,659	8,134,938
			Long-term debt, excluding current portion	20,095	60,284
Property, plant and equipment:			Other liabilities	<u>332,048</u>	<u>294,832</u>
Land	2,040,680	2,265,826	Total liabilities	<u>25,272,166</u>	<u>19,128,541</u>
Buildings	3,637,445	1,903,082			
Machinery and equipment	2,381,006	2,375,600	Stockholders' equity:		
Furniture and fixtures	104,187	98,439	Common stock	16,555,963	13,810,879
Miscellaneous equipment	56,410	117,146	Capital surplus	12,514,734	8,734,536
Prepayments for plant and equipment	<u>18,404</u>	<u>777,304</u>	Legal reserve	1,764,452	1,461,316
	8,238,132	7,537,397	Retained earnings	5,891,175	2,443,639
Less: accumulated depreciation	<u>(1,515,121)</u>	<u>(1,138,255)</u>	Unrealized loss in long-term equity investments	-	-
Net property, plant and equipment	<u>6,723,011</u>	<u>6,399,142</u>	Translation adjustment	567,979	726,320
			Treasury stock	<u>(78,841)</u>	-
Idle Assets	674,566	-	Total stockholders' equity	37,215,462	27,176,690
Refundable deposits and deferred expenses	142,652	206,262			
Deferred income tax assets	547,434	649,990	Commitments and contingencies		
			Total liabilities and stockholders' equity	<u>62,487,628</u>	<u>46,305,231</u>
Total assets	<u>62,487,628</u>	<u>46,305,231</u>			

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Audited Non-consolidated Statements of Income (Parent Company Only)

Six-month periods ended June 30, 2001 and 2002
(expressed in thousands of New Taiwan dollars)

	<u>2002</u> NT\$	<u>2001</u> NT\$
Net sales	46,071,087	22,991,658
Cost of goods sold	<u>(39,935,184)</u>	<u>(20,379,359)</u>
	6,135,903	2,612,299
Change in unrealized intercompany profits	<u>140,826</u>	<u>46,988</u>
Gross profit	<u>6,276,729</u>	<u>2,659,287</u>
Operating expenses:		
Selling	(1,611,552)	(742,146)
Administrative	(373,677)	(328,499)
Research and development	<u>(823,181)</u>	<u>(843,841)</u>
	<u>(2,808,410)</u>	<u>(1,914,486)</u>
Operating income	<u>3,468,319</u>	<u>744,801</u>
Non-operating income:		
Interest income	16,018	71,973
Investment income, net	1,036,548	-
Dividend income	126,699	9,620
Gain on disposal of investments, net	579,170	1,053,032
Foreign exchange Gain, net	40,303	-
Other	<u>35,340</u>	<u>23,406</u>
	<u>1,834,078</u>	<u>1,158,031</u>
Non-operating expense:		
Interest expense	(165,889)	(249,286)
Investment loss, net	-	(614,475)
Foreign exchange loss, net	-	(4,916)
Other	<u>(20,285)</u>	<u>(33,988)</u>
	<u>(186,174)</u>	<u>(902,665)</u>
Net income before income tax benefit	5,116,223	1,000,167
Income tax benefit	<u>(546,545)</u>	<u>55,487</u>
Net income	<u>4,569,678</u>	<u>1,055,654</u>
Net income per share (Before Tax)	<u>3.21</u>	<u>0.64</u>
Net income per share (After Tax)	<u>2.87</u>	<u>0.67</u>

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Audited Non-consolidated Statements of Cash Flows (Parent Company Only)

Six-month periods ended June 30, 2001 and 2002
(expressed in thousands of New Taiwan dollars)

	<u>2002</u>	<u>2001</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	4,569,678	1,055,654
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	249,272	262,094
Amortization	46,641	34,985
Provision (reversal) for inventory obsolescence	23,351	(118,185)
Increase (decrease) in allowance for doubtful accounts	(9,792)	1,469
Investment loss (income) in long-term equity investments, net	(1,036,548)	614,475
Cash dividends received from investees accounted for by equity method	129,776	-
Loss (gain) on sales of long-term equity investments, net	(552,778)	6,491
Gain on disposal of property, plant and equipment, net	4,671	(19)
Fixed assets transferred to expenses	77	-
Provision for redemption of overseas convertible bonds	104,088	102,688
Unrealized foreign exchange loss on overseas convertible bonds	(150,684)	371,000
Amortization of bond issuance cost	26,786	55,247
Decrease (increase) in notes and accounts receivable	(2,162,311)	484,090
Decrease (increase) in receivables from related parties	2,104,794	2,549,996
Decrease (increase) in inventories	(773,383)	693,913
Decrease (increase) in prepaid expenses and other current assets	328,402	(86,798)
Increase in deferred income tax assets	(93,025)	(210,467)
Increase (decrease) in notes and accounts payable	98,654	(284,212)
Increase (decrease) in payables to related parties	1,058,745	(1,099,372)
Decrease in deferred intercompany profit	(140,826)	(46,988)
Increase (decrease) in accrued expenses and other current liabilities	1,938,433	(10,174)
Decrease (increase) in other assets	<u>(9,553)</u>	<u>(10,283)</u>
Net cash provided by (used in) operating activities	<u>5,754,468</u>	<u>4,365,604</u>
Cash flows from investing activities:		
Additions to long-term investments	(306,823)	(1,918,824)
Net (increase) decrease in short-term investments	(4,450,747)	(1,226,309)
Additions to property, plant and equipment	(654,308)	(625,956)
Proceeds from sale of long-term equity investments	958,737	4,518
Proceeds from disposal of property, plant and equipment	14,291	156,553
Increase in refundable deposits and deferred charges	(62,871)	(30,052)
Receipt from investees' capital reduction	<u>175,070</u>	<u>193,291</u>
Net cash used in investing activities	<u>(4,326,651)</u>	<u>(3,446,779)</u>
Cash flows from financing activities:		
Decrease in long-term debt	(620,095)	(600,777)
Increase (decrease) in short-term borrowings	(1,585,563)	(1,042,544)
Issuance of convertible bonds	-	5,661,250
Treasury stock transferred to employees	530,403	-
Bonuses for directors and supervisors	(27,283)	(30,749)
Redemption of convertible bonds	(5,000)	(3,787,200)
Issuance cost of bonds	-	<u>(136,132)</u>
Net cash provided by financing activities	<u>(1,707,538)</u>	<u>63,848</u>
Net increase (decrease) in cash and cash equivalents	(279,721)	982,673
Cash and cash equivalents at beginning of period	<u>560,431</u>	<u>459,817</u>
Cash and cash equivalents at end of period	<u>280,710</u>	<u>1,442,490</u>

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Enjoyment Matters