

# 2002 3rd Quarter Earnings Release

## 明基電通第三季法人說明會

October 28, 2002

**BenQ**

# Agenda

- **Welcome**
- **3Q '02 Financial Results**
- **Q&A**

# Safe Harbor Notice

- The following material was prepared for the purpose of discussions with BENQ's investors only and has been prepared based on information currently available to the management of BENQ.
- BENQ's statements, except for those in respect of historical matters, may include "forward-looking" statements. Such statements reflect BENQ's current expectation about future events and are not a guarantee of future performance.
- BENQ will not be responsible for investment decisions based solely upon this material.

# Sales and Profit

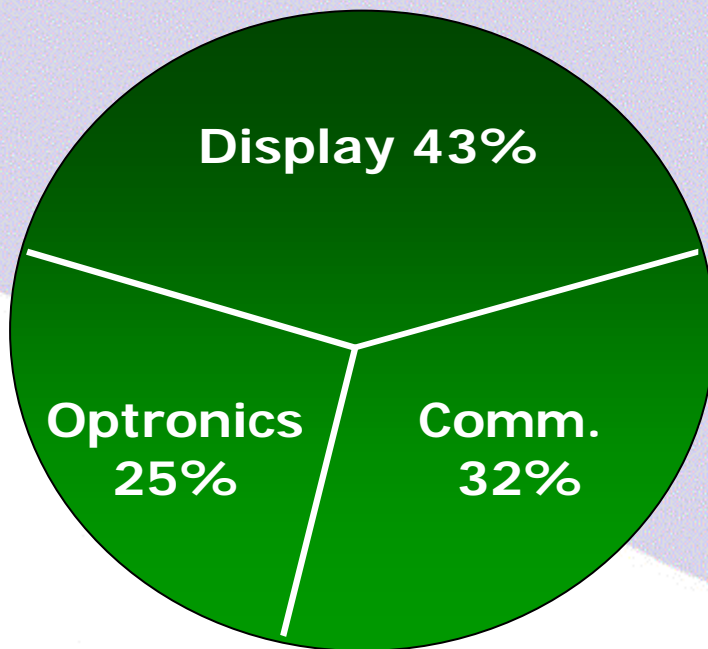
(NT billion)	Q3 '02		Q2 '02	
Net Sales	22.61	100.0%	26.65	100.0%
Gross Profit	3.66	16.2%	4.03	15.1%
Operating expenses	(2.01)	8.9%	(2.49)	9.3%
Operating Income	1.65	7.3%	1.54	5.8%
Income Before Tax	1.72	7.6%	2.68	10.1%
Net Income	1.40	6.2%	2.41	9.0%

Core Business  
Consolidated

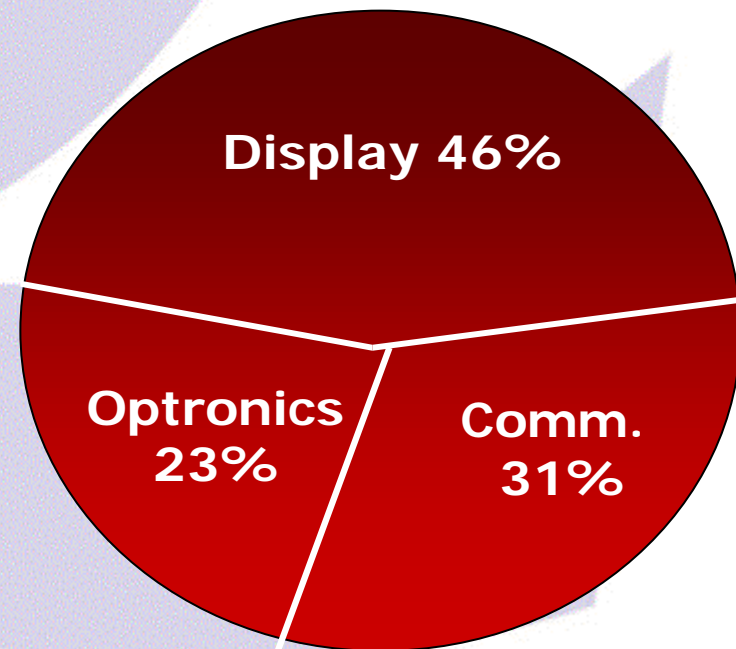
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# Sales Breakdown by Product

Q3 '02



Q2 '02

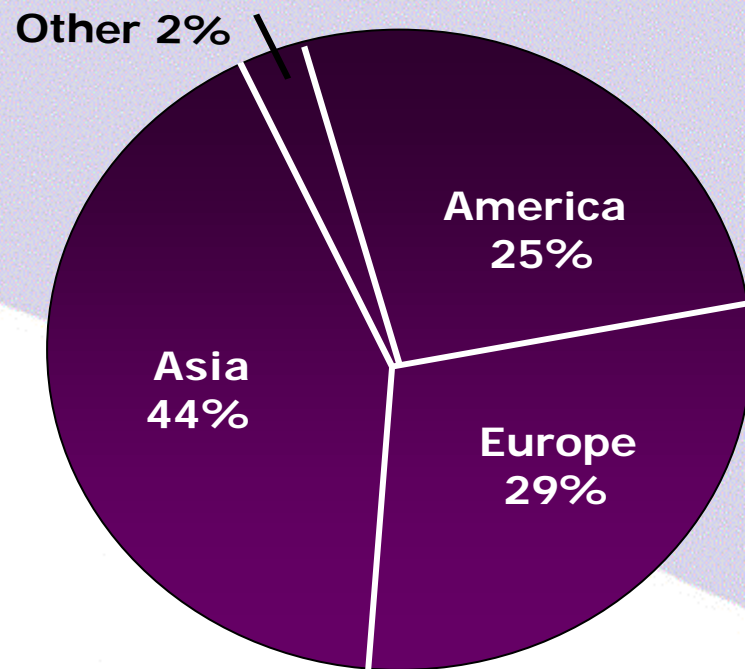


Core Business  
Consolidated

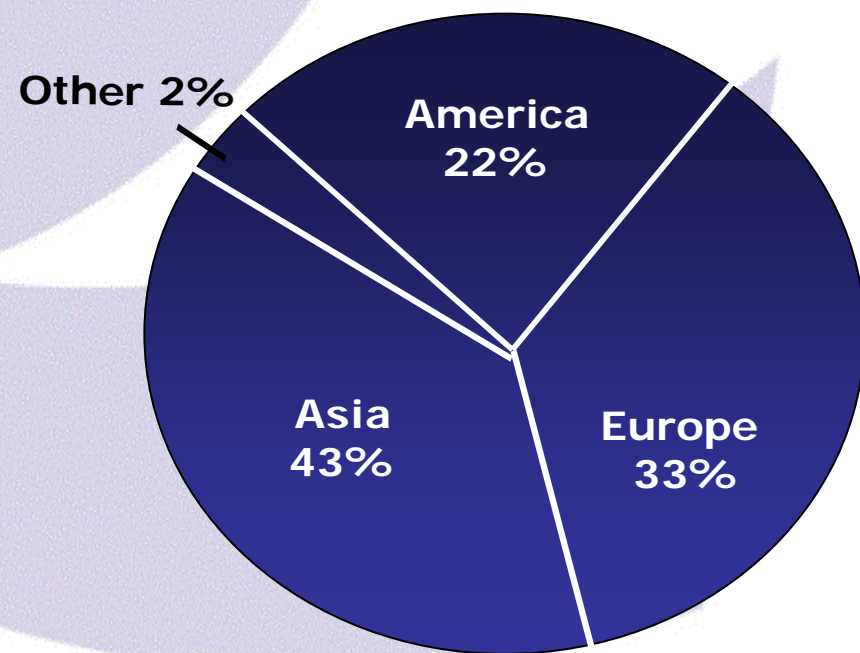
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# Sales Breakdown by Geography

Q3 '02



Q2 '02



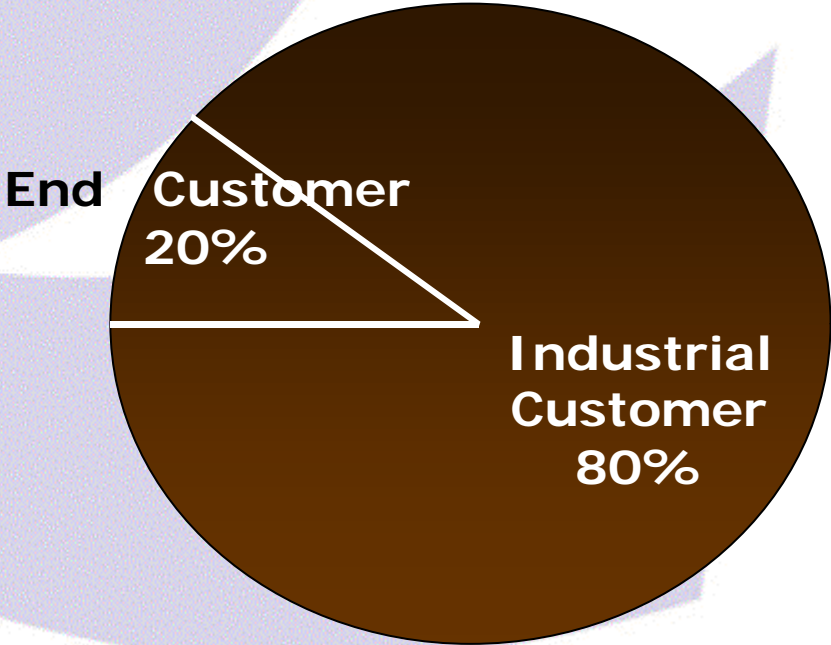
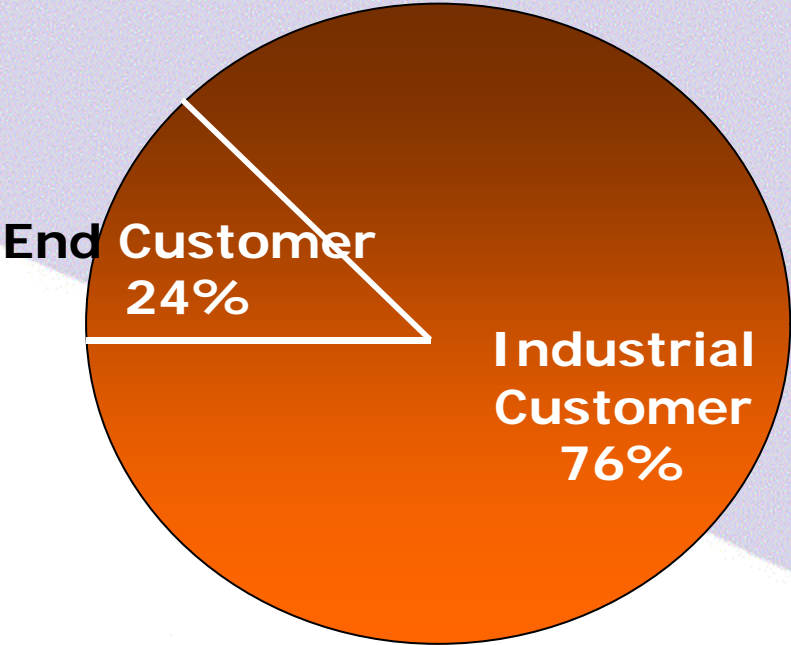
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# Sales Breakdown by Business Type

**Q3 '02**

**Q2 '02**



Core Business  
Consolidated



# Key Balance Sheet Items

(NT billion) **Q3 '02** **Q2 '02**

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<b>Cash &amp; Marketable</b>	<b>11.19</b>	<b>9.94</b>
<b>Accounts Receivable</b>	<b>13.16</b>	<b>13.00</b>
<b>Inventories</b>	<b>10.89</b>	<b>10.44</b>
<b>L-T Investments</b>	<b>20.04</b>	<b>19.39</b>
<b>Total Assets</b>	<b>70.46</b>	<b>67.68</b>
<b>Liabilities</b>	<b>30.59</b>	<b>30.46</b>
<b>(Debts)</b>	<b>8.53</b>	<b>7.48</b>
<b>Equities</b>	<b>39.87</b>	<b>37.22</b>

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# Key Financial Ratios

NT billion	Q3 '02	Q2 '02
AR Turnover	51 days	50 days
Inventory Turnover	43 days	44 days
ROA*	8.16%	12.26%
ROE*	14.62%	26.04%

\* Annualized

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# Q3 Operation Results Review

- Net sales decreased 15% sequentially
- Gross margin improved because of
  - NT dollar depreciation
  - Stabilized storage drives prices
  - Higher portion of branding business
  - Increased revenue from higher margin products such as projectors and imaging products
- Operation expenses cut a lot with conservative marketing spending
- Non-operating income slashed owing to less disposal gains and investment gains from AUO

# Q4 Guidance

- We expect the fourth quarter revenue will grow by a mid-teen percentage sequentially, the drivers are from all of our three major product lines
- LCD monitor shipments will grow more than 40%
- We will ship more than 4M units of handsets in Q4
- Logistic issue caused by US west coast terminal lockout still a risk factor
- Marketing spending will resume to a higher level

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**Reviewed Non-consolidated Balance Sheets (Parent Company Only)**

**September 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\$	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	140,895		439,311	1	Short-term borrowings	1,963,046	3	113,053	-
Short-term investments	9,077,194	14	947,132	2	Current portion of long-term debt	40,190	-	30,142	-
Notes and accounts receivable	6,887,175	11	3,079,552	7	Notes and accounts payable	4,815,547	7	4,741,435	10
Receivables from related parties	11,243,044	17	8,007,822	17	Payables to related parties	9,904,248	16	4,650,228	10
Inventories	3,668,289	6	4,312,617	9	Accrued expenses and other current liabilities	4,095,873	6	1,836,458	4
Prepaid expenses and other current assets	<u>1,036,267</u>	2	<u>628,409</u>	1	Bonds payable	207,800	-	212,800	-
<b>Total current assets</b>	<u>32,052,864</u>	50	<u>17,414,842</u>	37	Deferred intercompany profit	<u>229,995</u>	-	<u>142,306</u>	-
					<b>Total current liabilities</b>	21,256,699	32	11,726,422	24
<b>Long-term investments</b>	<u>25,508,787</u>	39	<u>22,069,492</u>	48	<b>Bonds payable</b>	3,503,486	5	8,217,473	18
<b>Property, plant and equipment:</b>					<b>Long-term debt, excluding current portion</b>	10,047	-	50,237	-
Land	2,040,680	3	2,265,826	5	<b>Other liabilities</b>	-	1	<u>259,342</u>	-
Buildings	3,659,144	5	2,008,472	4	<b>Total liabilities</b>	<u>488,614</u>	38	<u>20,253,474</u>	43
Machinery and equipment	2,310,952	4	2,248,557	5	<b>Stockholders' equity:</b>				
Furniture and fixtures	107,823	-	100,289	-	Common stock	16,555,963	26	13,810,879	29
Miscellaneous equipment	56,237	-	51,405	-	Convertible bonds applied for conversion	254,547	-	-	-
Prepayments for plant and equipment	<u>103,259</u>	-	<u>1,026,120</u>	3	Capital surplus	13,302,567	21	8,189,405	18
	8,278,095	12	7,700,669	17	Legal reserve	1,764,452	3	1,461,316	3
Less: accumulated depreciation	<u>(1,572,036)</u>	(2)	<u>(1,227,626)</u>	(3)	Retained earnings	7,290,067	11	2,416,432	5
<b>Net property, plant and equipment</b>	<u>6,706,059</u>	10	<u>6,473,043</u>	14	Unrealized loss in long-term equity investments	-	-	-	-
<b>Idle Assets</b>	670,796	1	-	-	Translation adjustment	783,820	1	708,967	2
<b>Refundable deposits and deferred expenses</b>	155,874	-	180,535	-	Treasury stock	<u>(80,071)</u>	-	<u>(50,991)</u>	-
<b>Deferred income tax assets</b>	35,811	-	651,567	1	<b>Total stockholders' equity</b>	39,871,345	62	26,536,008	57
<b>Total assets</b>	<u>65,130,191</u>	100	<u>46,789,482</u>	100	<b>Commitments and contingencies</b>				
					<b>Total liabilities and stockholders' equity</b>	<u>65,130,191</u>	100	<u>46,789,482</u>	100

## BenQ Corporation

### Reviewed Non-consolidated Statements of Income (Parent Company Only)

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

	<u>2002</u>		<u>2001</u>	
	NT\$	%	NT\$	%
<b>Net sales</b>	67,564,048	100	35,961,618	100
<b>Cost of goods sold</b>	<u>(58,406,487)</u>	(86)	<u>(31,887,361)</u>	(89)
	9,157,561	14	4,074,257	11
<b>Change in unrealized intercompany profits</b>	<u>34,114</u>	-	<u>(17,428)</u>	-
<b>Gross profit</b>	<u>9,191,675</u>	14	<u>4,056,829</u>	11
<b>Operating expenses:</b>				
Selling	(2,203,618)	(3)	(1,030,965)	(3)
Administrative	(605,621)	(1)	(523,346)	(1)
Research and development	<u>(1,244,344)</u>	(2)	<u>(1,265,030)</u>	(4)
	<u>(4,053,583)</u>	(6)	<u>(2,819,341)</u>	(8)
<b>Operating income</b>	<u>5,138,092</u>	8	<u>1,237,488</u>	3
<b>Non-operating income:</b>				
Interest income	18,929	-	92,073	-
Investment income, net	1,070,538	2	-	-
Dividend income	142,599	-	30,642	-
Gain on disposal of investments, net	653,919	1	1,170,338	4
Foreign exchange Gain, net	19,540	-	-	-
Other	<u>68,856</u>	-	<u>77,985</u>	-
	<u>1,974,381</u>	3	<u>1,371,038</u>	4
<b>Non-operating expense:</b>				
Interest expense	(245,427)	(1)	(357,053)	(1)
Investment loss, net	-	-	(1,146,028)	(3)
Foreign exchange loss, net	-	-	(11,697)	-
Other	<u>(30,659)</u>	-	<u>(38,781)</u>	-
	<u>(276,086)</u>	(1)	<u>(1,553,559)</u>	(4)
<b>Net income before income tax benefit</b>	6,836,387	10	1,054,967	3
<b>Income tax benefit</b>	<u>(867,818)</u>	(1)	<u>7,506</u>	-
<b>Net income</b>	<u>5,968,569</u>	9	<u>1,062,473</u>	3
<b>Net income per share (Before Tax)</b>	<u>4.23</u>		<u>0.67</u>	
<b>Net income per share (After Tax)</b>	<u>3.69</u>		<u>0.68</u>	

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

**Nine-month periods ended Sep 30, 2001 and 2002**  
(expressed in thousands of New Taiwan dollars)

	<u>2002</u> NT\$	<u>2001</u> NT\$
<b>Cash flows from operating activities:</b>		
Net income	5,968,569	1,062,473
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	384,024	387,742
Amortization	76,594	49,163
Provision (reversal) for inventory obsolescence	35,494	(143,272)
Provision (reversal) in allowance for doubtful accounts	(4,051)	725
Investment loss (income) in long-term equity investments, net	(1,070,538)	1,146,028
Cash dividends received from investees accounted for by equity method	129,776	3,499
Loss (gain) on sales of long-term equity investments, net	(552,778)	6,491
Loss on disposal of property, plant and equipment, net	3,154	2,077
Fixed assets transferred to expenses	77	748
Provision for redemption of overseas convertible bonds	135,109	176,473
Unrealized foreign exchange loss (gain) on overseas convertible bonds	(79,593)	379,750
Amortization of bond issuance cost	33,052	73,755
Increase in notes and accounts receivable	(1,598,441)	(399,374)
Decrease (increase) in receivables from related parties	(782,969)	577,816
Decrease (increase) in inventories	385,274	(475,000)
Decrease in prepaid expenses and other current assets	230,548	61,398
Decrease (increase) in deferred income tax assets	459,089	(231,703)
Increase (decrease) in notes and accounts payable	(1,611,823)	1,239,018
Increase in payables to related parties	3,270,998	252,321
Increase (decrease) in deferred intercompany profit	(34,114)	17,428
Increase in accrued expenses and other current liabilities	1,441,442	233,923
Decrease in other liabilities	(14,329)	(24,428)
<b>Net cash provided by (used in) operating activities</b>	<u>6,084,564</u>	<u>4,397,051</u>
<b>Cash flows from investing activities:</b>		
Additions to long-term investments	(950,399)	(1,991,299)
Net increase in short-term investments	(5,607,368)	(43,159)
Additions to property, plant and equipment	(905,139)	(911,965)
Proceeds from sale of long-term equity investments	958,737	4,518
Proceeds from disposal of property, plant and equipment	56,887	242,969
Increase in refundable deposits and deferred charges	(94,215)	(33,100)
Receipt from investees' capital reduction	190,591	411,084
<b>Net cash used in investing activities</b>	<u>(6,350,906)</u>	<u>(2,320,952)</u>
<b>Cash flows from financing activities:</b>		
Decrease in long-term debt	(630,143)	(600,777)
Increase (decrease) in short-term borrowings	377,483	(2,065,364)
Issuance of convertible bonds	-	5,661,250
Issuance of cash dividends	(1,118,654)	(1,082,731)
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	-	(140,043)
Redemption of treasury stocks	-	(50,991)
<b>Net cash provided by financing activities</b>	<u>(873,194)</u>	<u>(2,096,605)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(419,536)	(20,506)
<b>Cash and cash equivalents at beginning of period</b>	<u>560,431</u>	<u>459,817</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>140,895</u></u>	<u><u>439,311</u></u>

# BenQ

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