

2003 3rd Quarter Results Conference

2003年第三季營運成果說明會

October 30, 2003

benq

Agenda

- **Welcome and Introduction**
- **3Q '03 Financial Results** **Alex Liou**
- **Remarks** **Sheaffer Lee**
- **Q&A** **Sheaffer Lee**

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.**

Sales and Profit

Amount : NT\$ Billion Except EPS Data

| | <u>Q3 '2003</u> | | <u>Q2 '2003</u> | | <u>YTQ3 '2003</u> | |
|--------------------------|-----------------|---------|-----------------|---------|-------------------|---------|
| Net Sales | 32.08 | 100.0% | 24.91 | 100.0% | 83.98 | 100.0% |
| Cost of Good Sold | (28.34) | (88.3%) | (21.26) | (85.3%) | (72.25) | (86.0%) |
| Gross Profit | 3.74 | 11.7% | 3.65 | 14.7% | 11.73 | 14.0% |
| Operating Expenses | (2.82) | (8.8%) | (2.55) | (10.2%) | (7.96) | (9.5%) |
| Operating Income | 0.92 | 2.9% | 1.10 | 4.4% | 3.77 | 4.5% |
| Net Non-Operating Income | 1.19 | 3.7% | 0.59 | 2.4% | 1.67 | 2.0% |
| Income Before Tax | 2.11 | 6.6% | 1.69 | 6.8% | 5.44 | 6.5% |
| Net Income | 2.23 | 7.0% | 1.45 | 5.8% | 5.14 | 6.1% |
| Basic EPS (NT\$) | 1.08 | | 0.70 | | 2.49 | |
| Fully Diluted EPS (NT\$) | 1.06 | | 0.69 | | 2.44 | |

Core business, Unaudited, Prepared by BenQ Corp. on a consolidated methodology



Key Balance Sheet Items

| <i>Amount: NT \$ Billion</i> | <u>Q3 '2003</u> | <u>Q2 '2003</u> | <u>Q o Q Change%</u> |
|------------------------------|-----------------|-----------------|--------------------------|
| Cash & Equivalent | 12.31 | 10.47 | ↑ 18% |
| Accounts Receivable | 22.02 | 15.23 | ↑ 45% |
| Inventories | 14.32 | 13.91 | ↑ 3% |
| L-T Investments | 21.17 | 19.98 | ↑ 6% |
| Total Assets | 85.11 | 75.42 | ↑ 13% |
| Liabilities | 41.17 | 34.09 | ↑ 21% |
| Debts | 12.01 | 8.04 | ↑ 49% |
| Equities | 43.94 | 41.33 | ↑ 6% |

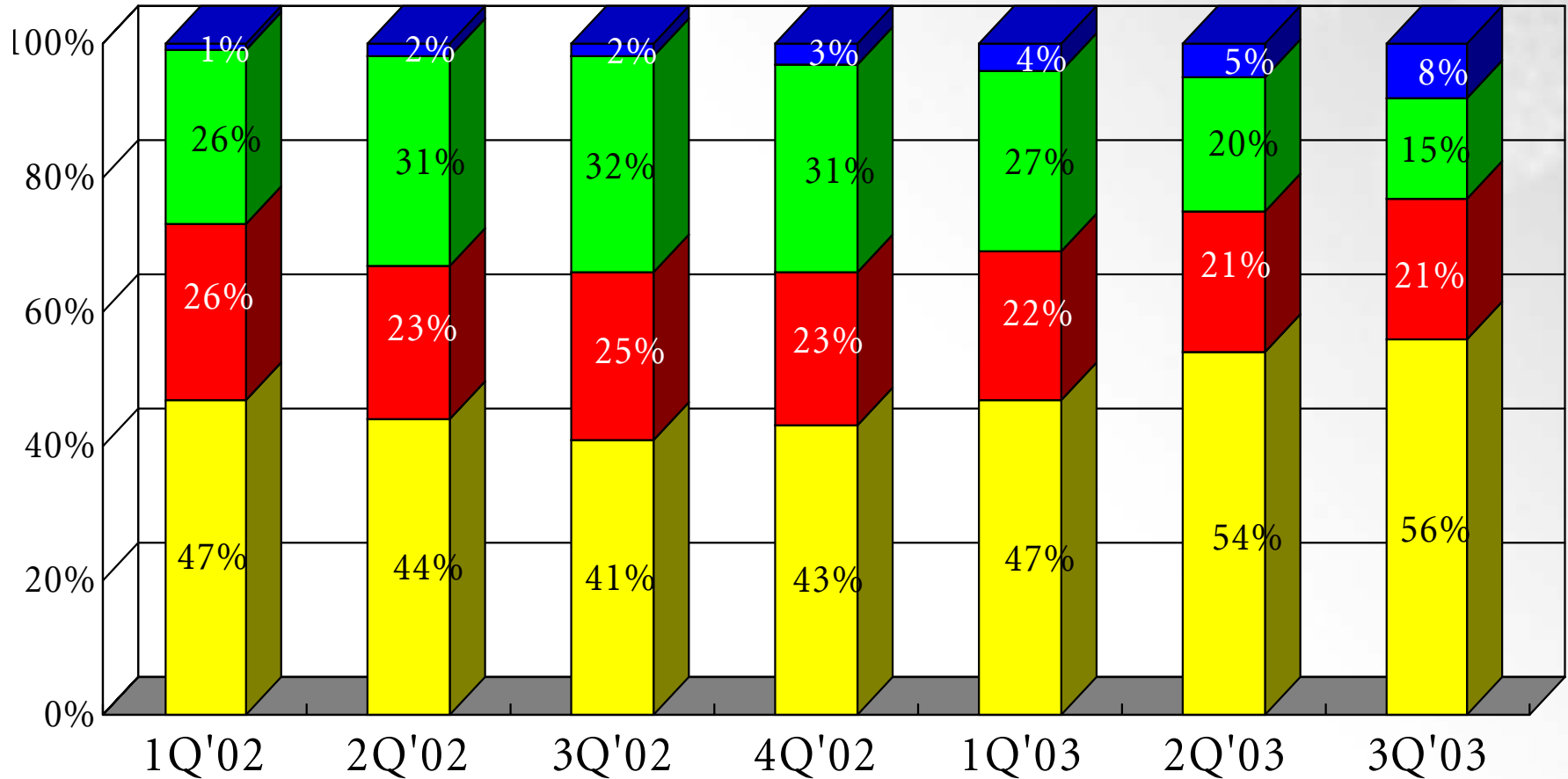
Key Financial Ratios

| | <u>Q3 '2003</u> | <u>Q2 '2003</u> |
|----------------------------------|-----------------|-----------------|
| A/R Turnover | 53 days | 57 days |
| Inventory Turnover | 45 days | 50 days |
| ROA* | 11.08% | 7.48% |
| ROE* | 20.86% | 13.80% |
| Total Debt / Total Assets | 14.11% | 10.66% |

*** Annualized**

Sales Breakdown by Business Group

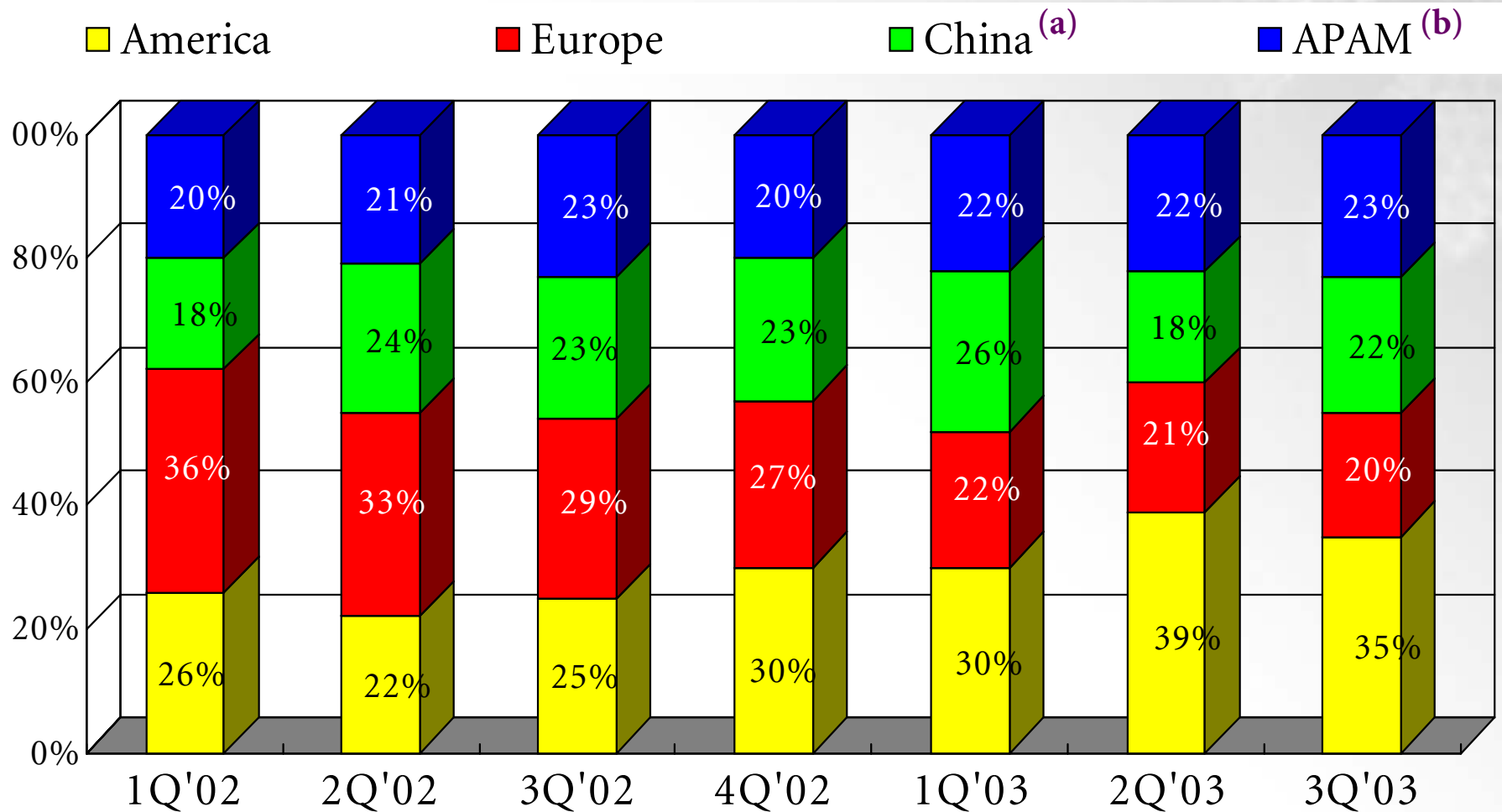
■ Display ■ Imaging & Storage ■ Communications ■ Digital Media



Core business, Unaudited, Prepared by BenQ Corp. on a consolidated methodology



Sales Breakdown by Geography



(a) Including HK

(b) Asia Pacific, Africa, and Middle East



2003 Q4 Guidance

- **Q4'03 revenue likely to grow over 20% QoQ and 45% YoY, with momentum from all business groups.**
- **Product mix will be similar to that of Q3, but margin should bounce.**
- **Non-operating income will keep at current high level. Contributions from major subsidiaries will increase further.**
- **Will contain the growth of assets and increase the efficiency of capital deployment.**

2003 Q4 Guidance

- LCD monitor demand still very strong, but shipments will be capped by panel supply, units increase will be all from 17” and above.
- Handset will regain the momentum on the back of high season and new product launch, shipment quantity might reach the level of Q1’03.
- LCD TV shipments will have tremendous growth in Q4. Product lines will expand up to 46”.
- Will launch 3 new models of JoyBook and promote aggressively.
- Shipment of 8X DVD+RW will have substantial growth. Start delivery of slim DVD +RW and slim Combo to new PC customer.

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Unaudited Core Business Balance Sheet

SEP. 30, 2003

UNIT : NTSK

| Assets | | | Liabilities & stockholders' equity | | |
|---|----------------------|---------------|---|----------------------|---------------|
| Current assets : | | | Liabilities | | |
| Cash & cash equivalent | 2,701,803 | 3.2% | Short term borrowings | 7,015,532 | 8.2% |
| Short term investment | 9,611,687 | 11.3% | N/P & A/P | 17,354,482 | 20.4% |
| Net notes and accounts receivable | 19,899,167 | 23.4% | N/P & A/P to related partie | 4,815,673 | 5.7% |
| N/R & A/R from related parties | 2,119,299 | 2.5% | Bond payable | 2,201,700 | 2.6% |
| Net inventories | 14,324,196 | 16.8% | Accurred exp. & other current liab. | 6,563,196 | 7.7% |
| Prepaid expenses & other current assets | 1,734,872 | 2.0% | Total current liabilities | 37,950,584 | 44.6% |
| Total current assets | 50,391,024 | 59.2% | Long term loan | 50,349 | 0.1% |
| Long term investments | 21,170,075 | 24.9% | Bond payable | 2,746,813 | 3.2% |
| Fixed assets : | 18,200,621 | 21.4% | Other liabilities | 420,861 | 0.5% |
| Less : Accumulated depreciation | (4,951,658) | 5.8% | Total liabilities | 41,168,606 | 48.4% |
| Total fixed assets | 13,248,963 | 15.6% | Stockholder' equities | 0 | |
| Other assets | 300,086 | 0.4% | Common stock | 20,838,612 | 24.5% |
| | | | Treasury stock | (79,038) | -0.1% |
| | | | Capital surplus | 13,586,721 | 16.0% |
| | | | Legal reserve | 2,504,415 | 2.9% |
| | | | Retained earnings | 6,575,186 | 7.7% |
| | | | Translation adjustment | 515,645 | 0.6% |
| | | | Total stockholder' equities | 43,941,541 | 51.6% |
| Total Assets | \$ 85,110,147 | 100.0% | Total Liabilities & stockholders' equity | \$ 85,110,147 | 100.0% |

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Unaudited Core Business Income Statement

Jan~Sep' 2003

UNIT : NTSK

| | | |
|---|---------------------|--------------|
| Net sales | \$ 83,978,640 | 100.0% |
| Cost of goods sold | (72,249,156) | -86.0% |
| Gross profit | 11,729,484 | 14.0% |
| Operating expense : | 0 | |
| S & M | (4,950,254) | -5.9% |
| G & A | (1,168,157) | -1.4% |
| R & D | (1,836,943) | -2.2% |
| Total Operating expense | (7,955,354) | -9.5% |
| Operating income (loss) | 3,774,130 | 4.5% |
| Non-operating in net income(loss) | 1,666,068 | 2.0% |
| Earning Before income tax | 5,440,198 | 6.5% |
| Income tax | (296,901) | -0.4% |
| Minority interest in net income (loss) | 0 | 0.0% |
| Profit after tax | \$ 5,143,297 | 6.1% |

BenQ Corporation
Reviewed Non-consolidated Balance Sheets (Parent Company Only)
September 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

| Assets | <u>2003.09.30</u> | % | <u>2002.09.30</u> | % |
|---|--------------------|------------|--------------------|------------|
| | NT\$ | | NT\$ | |
| Current assets: | | | | |
| Cash and cash equivalents | 206,776 | - | 140,895 | - |
| Short-term investments | 9,492,432 | 12 | 9,077,194 | 14 |
| Notes and accounts receivable | 7,349,807 | 10 | 6,887,175 | 11 |
| Receivables from related parties | 18,606,390 | 25 | 11,243,044 | 17 |
| Other financial assets | 64,339 | - | 78,624 | - |
| Inventories | 4,361,420 | 6 | 3,668,289 | 6 |
| Prepaid expenses and other current assets | 235,103 | - | 233,376 | - |
| Deferred income tax assets-current | <u>836,011</u> | <u>1</u> | <u>724,267</u> | <u>1</u> |
| Total current assets | <u>41,152,278</u> | <u>54</u> | <u>32,052,864</u> | <u>49</u> |
| Long-term equity investments: | | | | |
| Equity method | 25,412,741 | 34 | 23,023,577 | 35 |
| Cost or lower-of-cost-or-market method | <u>2,404,136</u> | <u>3</u> | <u>2,485,210</u> | <u>4</u> |
| | <u>27,816,877</u> | <u>37</u> | <u>25,508,787</u> | <u>39</u> |
| Property, plant and equipment: | | | | |
| Land | 2,265,826 | 3 | 2,040,680 | 3 |
| Buildings | 4,216,811 | 6 | 3,659,144 | 6 |
| Machinery and equipment | 2,220,187 | 3 | 2,310,952 | 4 |
| Furniture and fixtures | 136,934 | - | 107,823 | - |
| Miscellaneous equipment | 72,809 | - | 56,237 | - |
| Prepayments for Land | 14,000 | - | - | - |
| Prepayments for plant and equipment | <u>185,024</u> | <u>-</u> | <u>103,259</u> | <u>-</u> |
| | 9,111,591 | 12 | 8,278,095 | 13 |
| Less: accumulated depreciation | <u>(2,006,565)</u> | <u>(3)</u> | <u>(1,572,036)</u> | <u>(2)</u> |
| | | |) | |
| Net property, plant and equipment | <u>7,105,026</u> | <u>9</u> | <u>6,706,059</u> | <u>11</u> |
| Assets for sale | - | - | 670,796 | 1 |
| Refundable deposits | 7,979 | - | 10,350 | - |
| Deferred assets | 136,432 | - | 145,524 | - |
| Deferred income tax assets-noncurrent | <u>44,369</u> | <u>-</u> | <u>35,811</u> | <u>-</u> |
| Total other assets | <u>188,780</u> | <u>-</u> | <u>862,481</u> | <u>1</u> |
| Total assets | <u>76,262,961</u> | <u>100</u> | <u>65,130,191</u> | <u>100</u> |

BenQ Corporation
Reviewed Non-consolidated Balance Sheets (Parent Company Only)
September 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

| Liabilities and Stockholders' Equity | <u>2003.09.30</u> | % | <u>2002.09.30</u> | % |
|---|-------------------|------------|-------------------|------------|
| | NT\$ | | NT\$ | |
| Current liabilities: | | | | |
| Short-term borrowings | 1,455,372 | 24 | 1,963,046 | 3 |
| Current portion of long-term debt | 10,047 | - | 40,190 | - |
| Notes and accounts payable | 4,867,978 | 6 | 4,815,547 | 7 |
| Payables to related parties | 16,154,707 | 21 | 9,904,248 | 16 |
| Bonds payable | 2,201,700 | 3 | 207,800 | - |
| Accrued expenses and other current liabilities | 4,051,357 | 6 | 3,674,843 | 6 |
| Accrued income tax | 63,309 | - | 421,030 | - |
| Deferred inter-company profit | <u>139,442</u> | <u>-</u> | <u>229,995</u> | <u>-</u> |
| Total current liabilities | <u>28,943,912</u> | <u>38</u> | <u>21,256,699</u> | <u>32</u> |
| Long-term liabilities: | | | | |
| Bonds payable | 2,746,813 | 3 | 3,503,486 | 5 |
| Long-term debt, excluding current portion | - | - | <u>10,047</u> | - |
| | <u>2,746,813</u> | <u>3</u> | <u>3,513,533</u> | <u>5</u> |
| Other liabilities | <u>630,695</u> | <u>1</u> | <u>488,614</u> | <u>1</u> |
| Total liabilities | <u>32,321,420</u> | <u>42</u> | <u>25,258,846</u> | <u>38</u> |
| Stockholders' equity: | | | | |
| Common stock: | | | | |
| Common stock | 20,671,612 | 27 | 16,555,963 | 26 |
| Entitlement Certificate | <u>167,000</u> | <u>-</u> | <u>254,547</u> | <u>-</u> |
| | <u>20,838,612</u> | <u>27</u> | <u>16,810,510</u> | <u>26</u> |
| Capital surplus: | | | | |
| Additional paid-in capital in excess of the common stock's par value | 5,238,950 | 7 | 5,238,950 | 8 |
| Convertible bonds converted in excess of the common stock's par value | 6,889,624 | 9 | 6,461,269 | 10 |
| Treasury stock | 7,239 | - | 954 | - |
| Capital surplus from long-term equity investments | <u>1,450,908</u> | <u>2</u> | <u>1,601,394</u> | <u>3</u> |
| | <u>13,586,721</u> | <u>18</u> | <u>13,302,567</u> | <u>21</u> |
| Legal reserve | 2,504,415 | 3 | 1,764,452 | 3 |
| Retained earnings | 6,575,186 | 9 | 7,290,067 | 11 |
| Translation adjustment | 515,645 | 1 | 783,820 | 1 |
| Treasury stock | <u>(79,038)</u> | <u>-</u> | <u>(80,071)</u> | <u>-</u> |
| Total stockholders' equity | <u>43,941,541</u> | <u>58</u> | <u>39,871,345</u> | <u>62</u> |
| Total liabilities and stockholders' equity | <u>76,262,961</u> | <u>100</u> | <u>65,130,191</u> | <u>100</u> |

BenQ Corporation
Reviewed Non-consolidated Statements of Income (Parent Company Only)
Nine-month periods ended September 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars except net income per share)

| | <u>2003</u> | % | <u>2002</u> | % |
|---|---------------------|-------------|---------------------|-------------|
| | NT\$ | | NT\$ | |
| Net sales | 74,115,825 | 100 | 67,564,048 | 100 |
| Cost of goods sold | <u>(66,844,363)</u> | <u>(90)</u> | <u>(58,406,487)</u> | <u>(86)</u> |
| | <u>7,271,462</u> | <u>10</u> | <u>9,157,561</u> | <u>14</u> |
| Change in unrealized inter-company profits | <u>37,766</u> | - | <u>34,114</u> | - |
| Gross profit | <u>7,309,228</u> | <u>10</u> | <u>9,191,675</u> | <u>14</u> |
| Operating expenses: | | | | |
| Selling | (2,123,864) | (3) | (2,203,618) | (3) |
| Administrative | (678,006) | (1) | (605,621) | (1) |
| Research and development | <u>(1,775,868)</u> | <u>(2)</u> | <u>(1,244,344)</u> | <u>(2)</u> |
| | <u>(4,557,738)</u> | <u>(6)</u> | <u>(4,053,583)</u> | <u>(6)</u> |
| Operating income | <u>2,751,490</u> | <u>4</u> | <u>5,138,092</u> | <u>8</u> |
| Non-operating income: | | | | |
| Interest income | 7,858 | - | 18,929 | - |
| Investment income, net | 2,220,568 | 3 | 1,070,538 | 2 |
| Dividend income | 172,876 | - | 142,599 | - |
| Gain on disposal of property, plant and equipment | 1,646 | - | 2,852 | - |
| Gain on disposal of investments, net | 203,666 | - | 653,919 | 1 |
| Foreign exchange gain, net | 73,587 | - | 19,540 | - |
| Other | <u>125,393</u> | - | <u>66,004</u> | - |
| | <u>2,805,594</u> | <u>3</u> | <u>1,974,381</u> | <u>3</u> |
| Non-operating expense: | | | | |
| Interest expense | (140,331) | - | (245,427) | (1) |
| Loss on disposal of property, plant and equipment | (22,499) | - | (6,006) | - |
| Other | <u>(5,124)</u> | - | <u>(24,653)</u> | - |
| | <u>(167,954)</u> | - | <u>(276,086)</u> | <u>(1)</u> |
| Net income before income tax expense | 5,389,130 | 7 | 6,836,387 | 10 |
| Income tax expense | <u>(245,833)</u> | - | <u>(867,818)</u> | <u>(1)</u> |
| Net income | <u>5,143,297</u> | <u>7</u> | <u>5,968,569</u> | <u>9</u> |
| Earnings per share | | | | |
| Basic earnings per share | <u>2.49</u> | | <u>3.00</u> | |
| Diluted earnings per share | <u>2.44</u> | | <u>2.90</u> | |

BenQ Corporation
Reviewed Non-Consolidated Statements of Cash Flows
Nine-month periods ended September 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

| | <u>2003</u> | <u>2002</u> |
|---|--------------------|--------------------|
| | NT\$ | NT\$ |
| Cash flows from operating activities: | | |
| Net income | 5,143,297 | 5,968,569 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 422,124 | 384,024 |
| Amortization | 73,198 | 76,594 |
| Changes in allowance for doubtful accounts | (15,592) | (4,051) |
| Changes in provision for inventory obsolescence | (33,725) | 35,494 |
| Investment income on long-term equity investments, net | (2,220,568) | (1,070,538) |
| Cash dividends received from investees accounted for by equity method | 322,528 | 129,776 |
| Gain on disposal of long-term equity investments | (5,850) | (552,778) |
| Loss on disposal of property, plant and equipment | 20,853 | 3,154 |
| Write-off fixed assets | 865 | - |
| Fixed assets transferred to expenses | 2,400 | 77 |
| Unrealized exchange gain on overseas convertible bonds | (32,290) | (79,593) |
| Interest provision (reversal) for redemption of convertible bonds | (14,330) | 135,109 |
| Amortization of bond issuance costs | 4,131 | 33,052 |
| Differences in accounts in the accompanying balance sheets: | | |
| Notes and accounts receivable | (1,153,537) | (1,598,441) |
| Receivables from related parties | (4,307,763) | (782,969) |
| Inventories | (1,093,016) | 385,274 |
| Other financial assets-current | (12,070) | 80,888 |
| Prepaid expenses and other current assets | (16,435) | 149,660 |
| Notes and accounts payable | (1,185,816) | (1,611,823) |
| Payables to related parties | 3,321,997 | 3,270,998 |
| Deferred inter-company profit | (37,765) | (34,114) |
| Accrued expenses and other current liabilities | 86,452 | 1,582,243 |
| Accrued income tax | (702,675) | (140,801) |
| Deferred income tax assets | 957 | 459,089 |
| Other liabilities | (14,329) | (14,329) |
| Net cash provided by (used in) operating activities | <u>(1,446,959)</u> | <u>6,804,564</u> |
| Cash flows from investing activities: | | |
| Additions to long-term equity investments | (440,772) | (950,399) |
| Decrease (increase) in short-term investment | 296,163 | (5,607,368) |
| Additions to property, plant and equipment | (296,768) | (905,139) |
| Proceeds from disposal of long-term equity investment | 36,788 | 958,737 |
| Proceeds from disposal of property, plant and equipment | 17,210 | 56,887 |
| Increase in refundable deposits and deferred assets | (81,292) | (94,215) |
| Receipt from investees' capital reduction | 80,036 | 190,591 |
| Net cash used in investing activities | <u>388,635</u> | <u>(6,350,906)</u> |
| Cash flows from financing activities: | | |
| Decrease in long-term borrowing | (30,143) | (620,143) |
| Increase (decrease) in short-term borrowings | 866,643 | 377,483 |
| Redemption of oversea convertible bond | (131,625) | (5,000) |
| Treasury stock transferred to employee | - | 530,403 |
| Bonuses for directors and supervisors | (66,596) | (27,283) |
| Bonuses for employee | (100,000) | - |
| Issuance of bond | 2,000,000 | - |
| Distribution for cash dividends | (2,521,577) | (1,118,654) |
| Net cash provided by (used in) financing activities | <u>16,702</u> | <u>(873,194)</u> |

| | | |
|--|-----------------------|-----------------------|
| Net decrease in cash and cash equivalents | (1,818,892) | (419,536) |
| Cash and cash equivalents at beginning of year | <u>2,025,668</u> | <u>560,431</u> |
| Cash and cash equivalents at end of year | <u>206,776</u> | <u>140,895</u> |
| Additional disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest, excluding capitalized interest | <u>33,961</u> | <u>24,632</u> |
| Income taxes | <u>947,552</u> | <u>549,529</u> |
| Supplemental disclosure of non-cash investing and financial activities: | | |
| Increase(decrease) in capital surplus from long-term equity investment | <u>(142,063)</u> | <u>1,602,848</u> |
| Decrease in translation adjustment | <u>(250,438)</u> | <u>(37,997)</u> |
| Convertible bonds converted to common stock and capital surplus | <u>595,355</u> | <u>4,893,931</u> |
| Increase in accrued construction cost | = | <u>211,911</u> |



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Enjoyment Matters