

BenQ Corporation Q1 2005 Investor Briefing

BenQ: Bringing Enjoyment 'N Quality to Life

April 28, 2005

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Meeting Overview

- Q1 Financial Highlights
- Business Update
- New Product Launches
- Q2 Guidance

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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 2005 Income Statement – QoQ Analysis

| <i>Amount : NT\$ Billion Except EPS Data</i> | Q4 2004 | | Q1 2005 | | QoQ |
|--|---------|---------|---------|---------|---------|
| | | | | | Change% |
| Net Sales | 40.33 | 100.0% | 32.33 | 100.0% | -20% |
| Cost of Goods Sold | (36.08) | (89.5%) | (28.67) | (88.7%) | -21% |
| Gross Profit | 4.25 | 10.5% | 3.66 | 11.3% | -14% |
| Operating Expenses | (3.98) | (9.9%) | (3.61) | (11.2%) | -9% |
| Operating Income | 0.27 | 0.7% | 0.05 | 0.2% | -82% |
| Net Non-op Items | 0.07 | 0.2% | 0.29 | 0.9% | 314% |
| Income before Tax | 0.33 | 0.8% | 0.34 | 1.0% | 3% |
| Income Tax | (0.13) | (0.3%) | (0.03) | (0.1%) | -77% |
| Net Income | 0.20 | 0.5% | 0.30 | 0.9% | 50% |
| Fully Diluted EPS (NT\$) | 0.09 | | 0.13 | | 44% |

- Lowered LCD monitor ASP and customer transition on handset contributing to QoQ decline in sales.
- Stable LCD monitor pricing and better product mix leading to higher gross margin.
- Operating expenses down; operating margin impacted by reduced revenue base.

Core business, Unaudited, Prepared by BenQ Corp. on a consolidated basis.
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Q1 2005 Balance Sheet Highlights

| <i>Amount: NT \$ Billion</i> | Q4 2004 | | Q1 2005 | | QoQ |
|------------------------------|---------|--------|---------|--------|----------|
| | | | | | Change % |
| Cash & Equivalent | 9.10 | 10.4% | 11.93 | 14.1% | 31% |
| Accounts Receivable | 21.44 | 24.6% | 16.70 | 19.7% | -22% |
| Inventories | 15.45 | 17.7% | 13.34 | 15.7% | -14% |
| L-T Investments | 26.38 | 30.3% | 26.10 | 30.8% | -1% |
| Total Assets | 87.16 | 100.0% | 84.71 | 100.0% | -3% |
| Liabilities | 38.08 | 43.7% | 35.40 | 41.8% | -7% |
| <i>(Debt)</i> | 6.73 | 7.7% | 6.75 | 8.0% | 0.3% |
| Equities | 49.07 | 56.3% | 49.33 | 58.2% | 0.5% |

- BenQ continuing to work down assets in an effort to boost long-term ROE.
- Short-term assets lowered on proactive working capital management.

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Key Financial Ratios

| | <u>Q3 2004</u> | <u>Q4 2004</u> | <u>Q1 2005</u> |
|---------------------------|----------------|----------------|----------------|
| A/R Turnover | 50 days | 45 days | 46 days |
| Inventory Turnover | 47 days | 39 days | 40 days |
| ROA* | 5.7% | 0.9% | 1.4% |
| ROE* | 11.1% | 1.6% | 2.4% |
| Total Debt / Total Assets | 11.4% | 7.7% | 7.9% |
| * Annualized | | | |
| | <u>2003</u> | <u>2004</u> | |
| ROE | 17.3% | 15.5% | |

- Days receivable and inventory increased slightly on lowered sales base.
- One of the shorter cash conversion cycles in the business—balance sheet ratios little changed QoQ.

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BenQ Declares a Cash Dividend of NT\$1.5 per Share

- BenQ declares a dividend package on March 16, 2005 of NT\$2 per Share, of that NT\$1.5 per share in cash.
- Company committed to high cash payout and share re-purchase.
- Cash portion of BenQ dividend amounts to a 4.85% yield based on Company share price as of market close on April 27.

Cash Returned in 2005 (proposed)

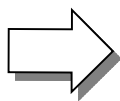
- Cash dividends---NT\$3.5 billion

Cash Returned in 2004

- Cash dividends---NT\$4.1 billion
- Share repurchase---NT\$196 million

Cash Returned in 2003

- Cash dividends---NT\$2.5 billion
- Share repurchase---NT\$1.3 billion



- BenQ Committed to Returning Excess Cash to Shareholders.
- Total Cash Distributed since 2001: ~NT\$14 billion.

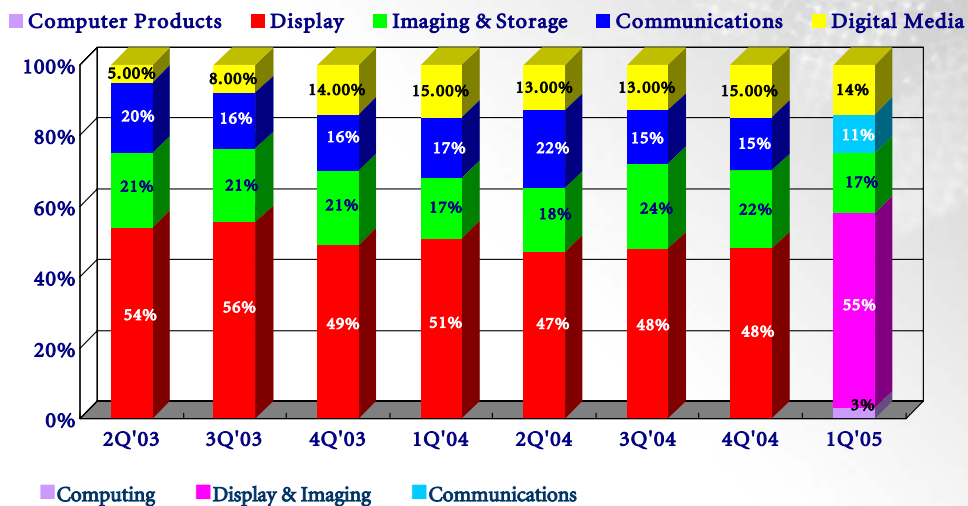
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Business Update

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Sales Breakdown by Business

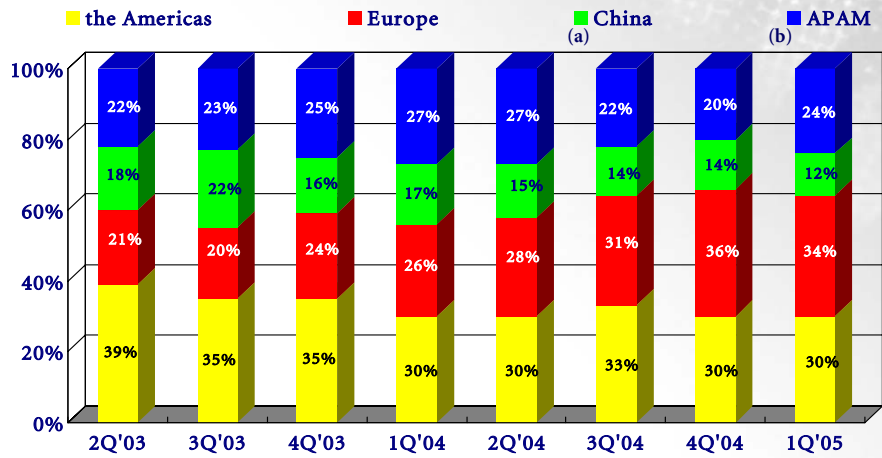


- Strong QoQ growth in shipment of LCD TV; strong demand seen for 17" monitors.
- Joybook grew in Q1 and poised for further growth; Greater China strengths.

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Sales Breakdown by Geography



- China sales down on decreased handset volume; branded sales grew strongly in March across multiple product lines.
- APAM sales up driven by increased shipment to Japan.

(a) Including HK
 (b) Asia Pacific, Africa, and Middle East

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New Product Launches

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New Product Launches

Joybook A32



The 15.4" wide-screen laptop features Intel's Centrino mobile technology, automatic backup and recovery system, outstanding audio performance, superior WiFi reception and comprehensive application software.

Joybook R22

The 15" Joybook R22 is equipped with a wide range of powerful features, including Mobile AMD Athlon 64 processor, to deliver well-rounded performance. With the support for wireless 802.11 b/g dual-mode wireless networking, Joybook R22 lets you enjoy super fast Internet access.



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New Product Launches

Z2

The BenQ Z2 is equipped with a unique cube-shaped design and 3D surrounding sound that targets music lovers. Outfitted with exchangeable shells, the BenQ Z2 allows the consumer to change pearl white, mustard green, sapphire blue, to sparkling pink casing depending on their different moods or to match what they are wearing.



Scanner 7650T



The BenQ 7650T scanner's built-in Auto-Recognition Transparency (ART) adaptor automatically detects the format of the film or slide to be scanned, and applies optimized settings. It also provides 2400dpi scans with 48-bit color for superb results. And BenQ's exclusive Super SIE technology utilizes 3D color enhancement algorithms to optimize RGB values so you get more saturated and vibrant colors in your scanned images.

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New Product Launches

DE35

The BenQ DE350 DVD Recorder is the first BenQ DVD Recorder with a built-in hard disk. The BenQ DE350 comes in 3 HDD sizes: 160/250/400GB, allowing you to easily turn life's interesting times into forever memories.



DV205

The 20-inch DV2050 LCD TV features high quality image enhancement features and a slim, compact design. The BenQ DV2050 provides clearer, sharper and more accurate images with image enhancement features such as Color Transient Improvement (CTI) that reduces color smear and Luminance Transient Improvement (LTI) that produces enhanced contour details.



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New Product Launches



FP91E

The BenQ FP91E features an ultra fast 8ms gray to gray 8ms response time and is equipped with Advanced Motion Accelerator technology (AMA) that is perfect for viewing movies in high ambient light situations.

FP91V+

The new 19-inch FP91V+ is equipped with AMA technology and features an ultra-quick 6ms gray to gray response time that is ideal for gaming, home entertainment and other applications that require superior display performance.



FP71V

The new 17-inch FP71V model is the first 5ms gray to gray fast response time LCD monitor on the market and features AMA technology with superior resolution capabilities.

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New Product Launches



DW1640

The BenQ DW1640 DVD 16X rewritable drives provides the fastest recording times and increased storage capacities. It features dual-format capabilities, double-layer (DL) and is equipped to handle DL DVD+R capacities up to 8.5GB.

PE7700

The BenQ PE7700 is a strong, mid-range unit for home theater enthusiasts who desire a high standard of image quality. The PE7700 features the latest DLP™-based HD2+ DMD chipset from Texas Instruments, 1000 ANSI lumens of brightness, a 2500:1 contrast ratio and 6-segment color wheel that displays up to 16.7 million colors.



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Q2 Guidance

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2005 Q2 Guidance

- **Communications:** guidance unchanged; sales down in 1H 2005 due to changing customer mix.
- **Display:** LCD monitor unit shipment flat QoQ with shipment of larger-sized monitor increasing.
- **Digital Media:** Growth trajectory of LCD TV on course; projector showing signs of improvement—channel inventory correction appears temporary.
- **Computing:** Joybook improving QoQ.
- **Storage:** Sales expected flat QoQ; volume up slightly.
- **Q2 revenue** expected flat compared with Q1; cost rationalization continuing to gain efficiency.

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Enjoyment Matters

BenQ Corporation
Unaudited Core Business Consolidated Balance Sheet
MAR. 31, 2005

UNIT : NT\$K

| Assets | | | Liabilities & stockholders' equity | | |
|---|----------------------|---------------|---|---------------------|---------------|
| Current assets : | | | Liabilities | | |
| Cash & cash equivalent | 4,215,447 | 5.0% | Short term borrowings | 2,696,454 | 3.2% |
| Short term investment | 7,726,261 | 9.1% | N/P & A/P | 16,940,708 | 20.0% |
| Net notes and accounts receivable | 15,125,031 | 17.9% | N/P & A/P to related parties | 5,610,717 | 6.6% |
| N/R & A/R from related parties | 1,582,492 | 1.9% | Bond payable | 1,400 | 0.0% |
| Net inventories | 13,341,379 | 15.7% | Accrued exp. & other current liab. | 5,555,710 | 6.6% |
| Prepaid expenses & other current assets | <u>2,442,236</u> | 2.9% | Total current liabilities | <u>30,804,989</u> | 36.4% |
| Total current assets | 44,432,846 | 52.5% | Long term loan | 5,616 | 0.0% |
| Long term investments | 26,080,395 | 30.8% | Bond payable | 4,239,405 | 5.0% |
| Fixed assets : | 18,144,734 | 21.4% | Other liabilities | <u>330,043</u> | 0.4% |
| Less : Accumulated depreciation | <u>(6,186,669)</u> | 7.3% | Total liabilities | <u>35,380,054</u> | 41.8% |
| Total fixed assets | 11,958,065 | 14.1% | Stockholder' equities | | |
| Other assets | 2,239,808 | 2.6% | Common stock | 23,165,568 | 27.3% |
| | | | Treasury stock | (76,989) | -0.1% |
| | | | Capital surplus | 14,716,633 | 17.4% |
| | | | Legal reserve | 3,254,424 | 3.8% |
| | | | Retained earnings | 8,447,320 | 10.0% |
| | | | Translation adjustment | <u>(175,897)</u> | -0.2% |
| | | | Total stockholder' equities | <u>49,331,059</u> | 58.2% |
| Total Assets | \$ 84,711,113 | 100.0% | Total Liabilities & stockholders' equity | \$84,711,113 | 100.0% |

BenQ Corporation
Unaudited Core Business Consolidated Income Statement
MAR. 31, 2005

UNIT : NT\$K

| | | |
|---|---------------------|--------|
| Net sales | \$ 32,336,758 | 100.0% |
| Cost of goods sold | <u>(28,674,307)</u> | -88.7% |
| Gross profit | <u>3,662,451</u> | 11.3% |
| Operating expense : | | |
| S & M | (2,268,522) | -7.0% |
| G & A | (499,140) | -1.5% |
| R & D | <u>(845,363)</u> | -2.6% |
| Total Operating expense | <u>(3,613,025)</u> | -11.2% |
| Operating income (loss) | 49,425 | 0.2% |
| Non-operating in net income(loss) | <u>286,194</u> | 0.9% |
| Earning Before income tax | 335,619 | 1.0% |
| Income tax | (32,407) | -0.1% |
| Minority interest in net income (loss) | <u>0</u> | 0.0% |
| Profit after tax | <u>\$ 303,212</u> | 0.9% |

BenQ Corporation
Reviewed Non-consolidated Balance Sheets (Parent Company Only)
March 31, 2005 and 2004
(expressed in thousands of New Taiwan dollars)

| Assets | <u>2005.3.31</u> NT\$ | <u>2004.3.31</u> NT\$ | Liabilities and Stockholders' Equity | <u>2005.3.31</u> NT\$ | <u>2004.3.31</u> NT\$ |
|---|---------------------------------|---------------------------------|---|---------------------------------|---------------------------------|
| Current assets: | | | Current liabilities: | | |
| Cash and cash equivalents | 665,211 | 400,807 | Short-term borrowings | 134,089 | - |
| Short-term investments | 7,704,785 | 6,946,458 | Accounts payable | 4,089,283 | 8,780,351 |
| Notes and accounts receivable | 3,584,572 | 10,665,219 | Payables to related parties | 13,759,993 | 18,177,151 |
| Receivables from related parties | 18,188,191 | 18,870,054 | Bonds payable | 1,400 | 201,700 |
| Other financial assets—current | 286,847 | 105,285 | Accrued expenses and other current liabilities | 2,583,489 | 4,541,897 |
| Inventories | 4,196,894 | 6,244,828 | Income tax payable | 269,635 | 330,949 |
| Prepaid expenses and other current assets | 365,101 | 274,729 | Deferred inter-company profit | 156,581 | 351,326 |
| Deferred income tax assets-current | 612,989 | 1,000,949 | Total current liabilities | <u>20,994,470</u> | <u>32,383,374</u> |
| Total current assets | <u>35,604,590</u> | <u>44,508,329</u> | Bonds payable | 4,239,405 | 2,255,505 |
| Long-term equity investments: | | | Other liabilities | 353,434 | 433,252 |
| Equity method | 29,921,595 | 28,860,134 | Total liabilities | <u>25,587,309</u> | <u>35,072,131</u> |
| Cost or lower-of-cost-or-market method | 1,527,488 | 2,423,620 | Stockholders' equity: | | |
| | <u>31,449,083</u> | <u>31,283,754</u> | Common stock: | | |
| Property, plant and equipment: | | | Common stock | 23,150,142 | 20,664,188 |
| Land | 2,135,472 | 2,379,356 | Convertible bonds applied for conversion | 15,427 | 10,594 |
| Buildings | 3,551,400 | 3,970,435 | | <u>23,165,569</u> | <u>20,674,782</u> |
| Machinery and equipment | 2,489,732 | 2,299,678 | Capital surplus: | | |
| Furniture and fixtures | 141,072 | 137,479 | Additional paid-in capital in excess of the common | 5,152,848 | 5,163,980 |
| Miscellaneous equipment | 69,876 | 69,110 | stock's par value | | |
| Prepayments for plant and equipment | 218,895 | 138,450 | Convertible bonds converted in excess of the common | 7,134,906 | 7,120,991 |
| | 8,606,447 | 8,994,508 | stock's par value | | |
| Less: accumulated depreciation | (2,610,816) | (2,210,379) | Capital surplus from treasury stock transactions | 6,812 | - |
| Net property, plant and equipment | <u>5,995,631</u> | <u>6,784,129</u> | Capital surplus from long-term equity investments | 2,422,067 | 1,386,500 |
| Other assets : | | | | <u>14,716,633</u> | <u>13,671,471</u> |
| Rental assets | 1,009,266 | 454,126 | Legal reserves | 3,254,424 | 2,504,415 |
| Refundable deposits | 8,084 | 7,268 | Retained earnings | 8,447,320 | 11,227,001 |
| Deferred expense | 106,987 | 112,246 | Translation adjustment | (175,897) | 207,438 |
| Deferred income tax assets-noncurrent | 744,728 | 63,591 | Treasury stock | (76,989) | (143,795) |
| Total other assets | <u>1,869,065</u> | <u>637,231</u> | Total stockholders' equity | <u>49,331,060</u> | <u>48,141,312</u> |
| Total assets | <u>74,918,369</u> | <u>83,213,443</u> | Total liabilities and stockholders' equity | <u>74,918,369</u> | <u>83,213,443</u> |

BenQ Corporation

Reviewed Non-consolidated Statements of Income (Parent Company Only)
For the three-month periods ended March 31, 2005 and 2004
(expressed in thousands of New Taiwan dollars, except earnings per share)

| | 2005 NT\$ | 2004 NT\$ |
|--|-----------------------|-------------------------|
| Net sales | 26,701,928 | 38,617,315 |
| Cost of goods sold | <u>(25,022,619)</u> | <u>(34,820,040)</u> |
| | 1,679,309 | 3,797,275 |
| Change in unrealized inter-company profits | <u>(151,204)</u> | <u>(183,767)</u> |
| Gross profit | <u>1,528,105</u> | <u>3,613,508</u> |
| Operating expenses: | | |
| Selling | (598,506) | (1,090,108) |
| Administrative | (228,142) | (253,859) |
| Research and development | <u>(800,656)</u> | <u>(838,611)</u> |
| | <u>(1,627,304)</u> | <u>(2,182,578)</u> |
| Operating income | <u>(99,199)</u> | <u>1,430,930</u> |
| Non-operating income: | | |
| Interest income | 2,138 | 1,065 |
| Investment income recorded under the equity method, net | - | 1,706,861 |
| Dividend income | 10,387 | 2,367 |
| Gain on disposal of Property, plant and equipment | 674 | 878 |
| Gain on disposal of investments, net | 689,971 | 27,282 |
| Foreign currency exchange gain, net | 145,348 | 116,196 |
| Others | <u>33,670</u> | <u>28,557</u> |
| | <u>882,188</u> | <u>1,883,206</u> |
| Non-operating expense: | | |
| Interest expense | (111,327) | (30,405) |
| Investment loss recorded under the equity method, net | (277,497) | - |
| Impairment loss on long-term equity investment | (60,000) | - |
| Loss on disposal of Property, plant and equipment | - | (2,681) |
| Impairment loss on deferred expenses | (18,598) | - |
| Others | <u>(12,355)</u> | <u>(3,830)</u> |
| | <u>(479,777)</u> | <u>(36,916)</u> |
| Net income before income tax expense | 303,212 | 3,277,220 |
| Income tax expense | <u>-</u> | <u>(210,392)</u> |
| Net income | <u>303,212</u> | <u>3,066,828</u> |
| Earnings per share: | | |
| Basic earnings per share | <u>0.13</u> | <u>1.33</u> |
| Diluted earnings per share | <u>0.13</u> | <u>1.32</u> |

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

For the three-month periods ended March 31, 2005 and 2004
(expressed in thousands of New Taiwan dollars)

| | 2005 | 2004 |
|---|-----------------------|-----------------------|
| | NT\$ | NT\$ |
| Cash flows from operating activities: | | |
| Net income | 303,212 | 3,066,828 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 124,927 | 147,234 |
| Amortization | 13,674 | 21,587 |
| Change in provision for bad debt | (40,726) | 26,930 |
| Change in provision for inventory obsolescence | (36,009) | (2,323) |
| Investment loss (income) on long-term equity investments, net | 277,497 | (1,706,861) |
| Gain on disposal of short-term equity investments | (689,971) | (27,282) |
| Impairment loss on long-term investment | 60,000 | - |
| Loss (gain) on disposal of property, plant and equipment, net | (674) | 1,803 |
| Unrealized foreign exchange gain on overseas convertible bonds | (1,551) | (14,757) |
| Reversal for redemption of overseas convertible bonds | (3,430) | (4,242) |
| Impairment loss on deferred expenses | 18,598 | - |
| Amortization of bond issuance cost | 267 | 267 |
| Differences in accounts in the accompanying balance sheets: | | |
| Notes and accounts receivable | 1,925,444 | (2,389,092) |
| Receivables from related parties | 2,334,436 | 864,449 |
| Inventories | (300,990) | (778,000) |
| Other financial assets-current | (150,828) | (35,664) |
| Prepaid expenses and other current assets | (58,397) | 24,422 |
| Accounts payable | (1,786,374) | 1,816,896 |
| Payables to related parties | 420,665 | 2,050,239 |
| Deferred inter-company profit | 151,204 | 183,766 |
| Accrued expenses and other current liabilities | (993,260) | (82,530) |
| Income tax payable | 17,928 | 269,585 |
| Deferred income tax assets | (18,151) | (59,307) |
| Other liabilities | (4,777) | (4,776) |
| Net cash provided by operating activities | <u>1,562,714</u> | <u>3,369,172</u> |
| Cash flows from investing activities: | | |
| Additions in long-term investments | - | (92,781) |
| Increase in short-term investments | (1,583,780) | (3,438,655) |
| Additions to property, plant and equipment | (47,417) | (65,661) |
| Proceeds from disposal of property, plant and equipment | 1,340 | 7,336 |
| Increase in refundable deposits and deferred assets | (8,682) | (4,283) |
| Receipt from investees' capital reduction | 7,490 | 6,161 |
| Net cash used in investing activities | <u>(1,631,049)</u> | <u>(3,587,883)</u> |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 134,089 | - |
| Acquisition of treasury stock | - | (520,055) |
| Net cash provided by (used in) financing activities | <u>134,089</u> | <u>(520,055)</u> |
| Net increase (decrease) in cash and cash equivalents | 65,754 | (738,766) |
| Cash and cash equivalents at beginning of period | <u>599,457</u> | <u>1,139,573</u> |
| Cash and cash equivalents at end of period | <u><u>665,211</u></u> | <u><u>400,807</u></u> |
| Additional disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, excluding capitalized interest | <u>93,413</u> | <u>26,897</u> |
| Income taxes | <u>224</u> | <u>116</u> |
| Supplemental disclosure of non-cash investing and financial activities: | | |
| Change in capital surplus from long-term equity investment | <u>311</u> | <u>(21,703)</u> |
| Change in translation adjustment | <u>(94,143)</u> | <u>269,423</u> |
| Convertible bonds converted to common stock and capital surplus | <u>43,469</u> | <u>422,847</u> |