

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%

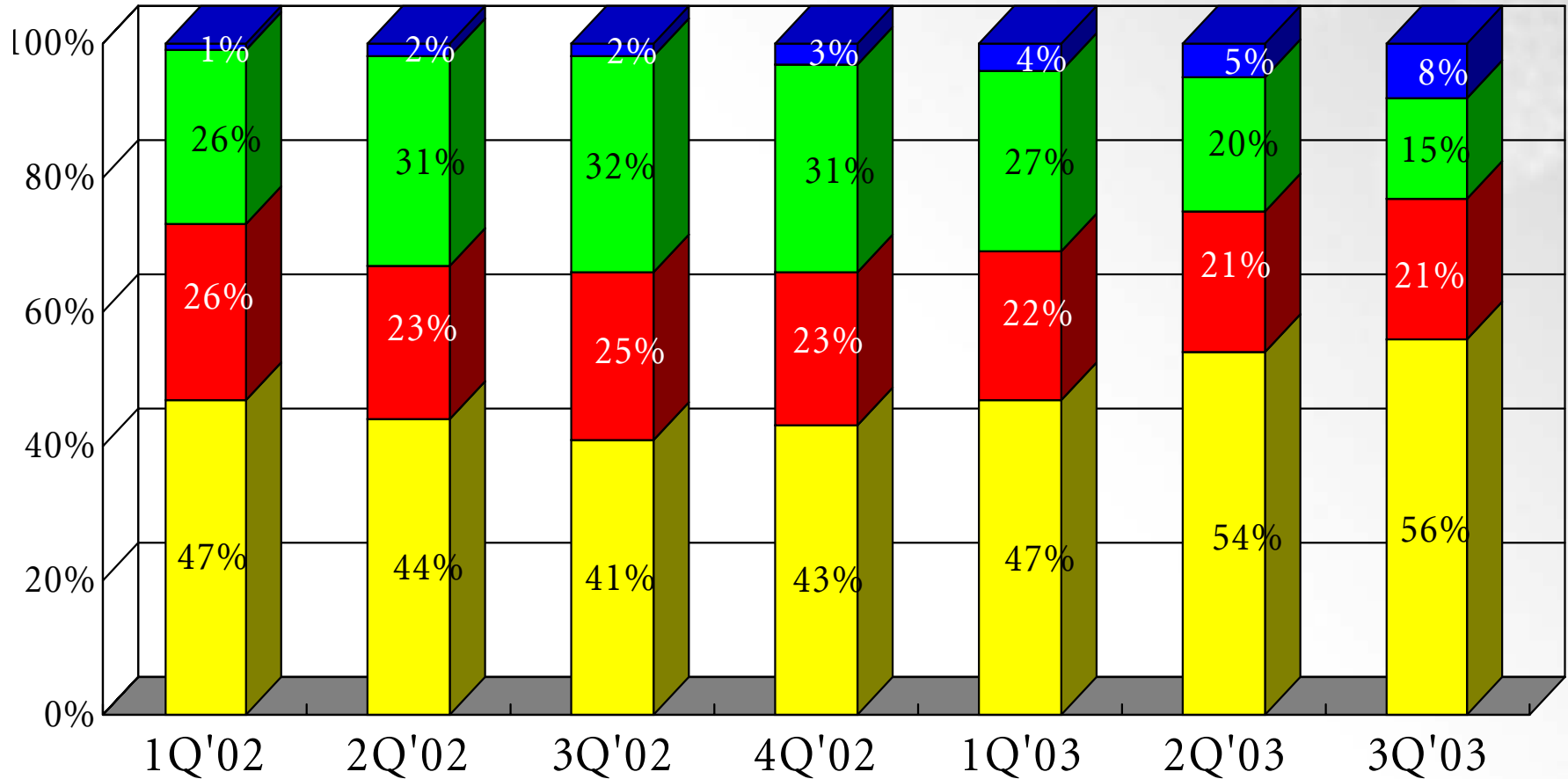
Key Financial Ratios

	<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

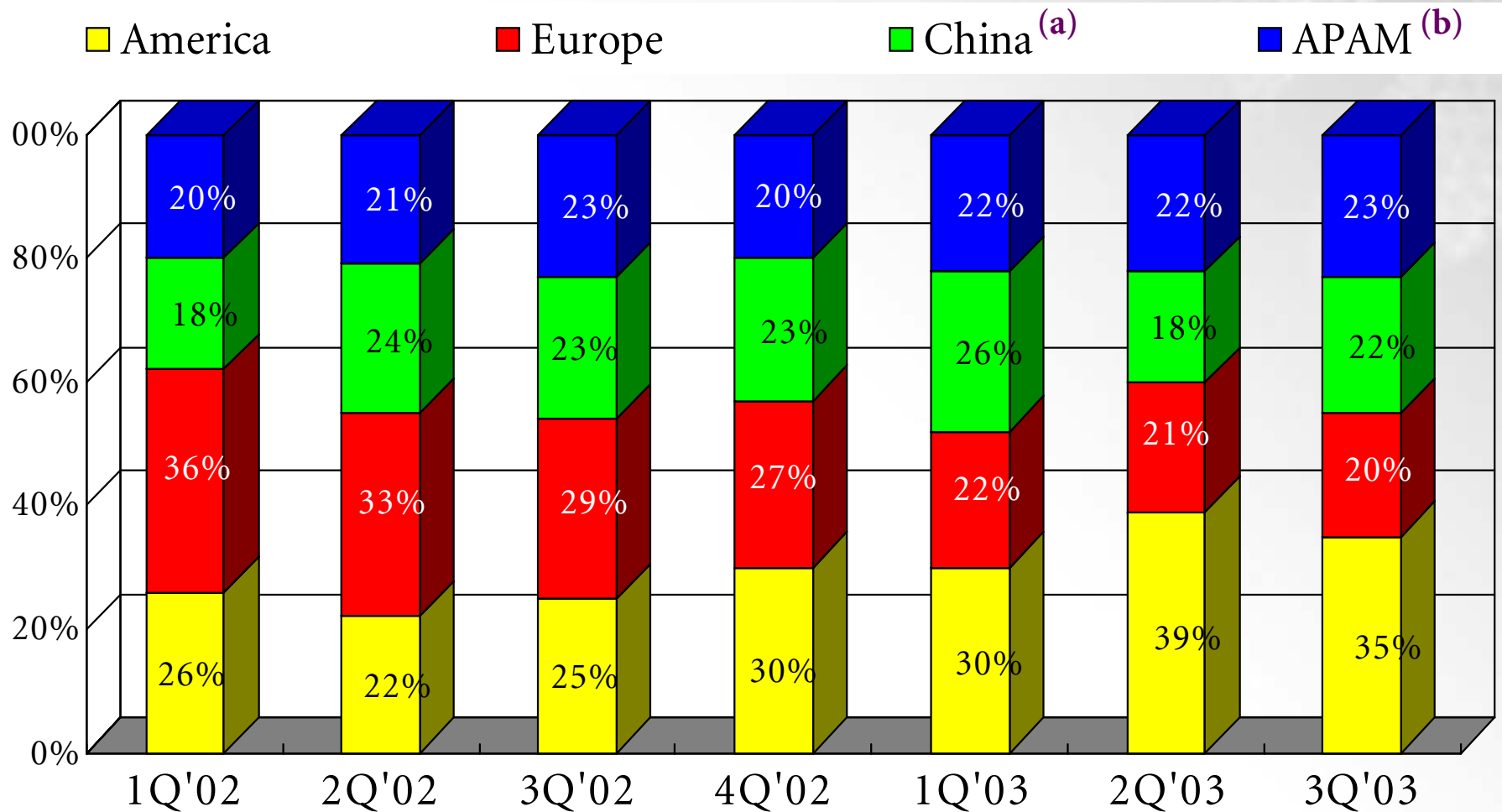
■ Display ■ Imaging & Storage ■ Communications ■ Digital Media



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	<u>\$ 85,110,147</u>	100.0%	Total Liabilities & stockholders' equity	<u>\$ 85,110,147</u>	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	<u>\$ 5,143,297</u>	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> NT\$	%	<u>2002.09.30</u> 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>

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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> NT\$	%	<u>2002</u> 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>	

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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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