

# BenQ 2004 1Q Results Investor Conference

## 明基電通 2004年第一季營運成果說明會

April 29, 2004



UEFA  
Euro 2004  
PORTUGAL

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# Agenda

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- Welcome and Introduction
- 1Q 2004 Financial Results
- Remarks
- Q&A



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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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# 1Q 2004 Income Statement Highlight

<i>Amount : NT\$ Billion Except EPS Data</i>	Q1, 2004		Q4, 2003		QoQ Change%
Net Sales	42.22	100.0%	36.83	100.0%	15%
Cost of Goods Sold	(36.84)	(87.3%)	(32.02)	(86.9%)	15%
Gross Profit	5.38	12.7%	4.81	13.1%	12%
Operating Expenses	(4.04)	(9.6%)	(3.77)	(10.2%)	7%
Operating Income	1.33	3.2%	1.04	2.8%	29%
Net Non-op Items	1.96	4.6%	1.25	3.4%	56%
Income before Tax	3.30	7.8%	2.29	6.2%	44%
Income Tax	(0.23)	(0.5%)	0.07	0.2%	n.a.
Net Income	3.07	7.3%	2.36	6.4%	30%
Fully Diluted EPS (NT\$)	1.48		1.12		32%

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



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# Non-Operating Items & Investment

<i>Amount: NT \$ Million</i>	<u>Q1, 2004</u>
Net Interest Income/(Exp)	(39)
Disposal of Securities	27
Investment Income	1,760
Other Non - Ops	<u>213</u>
Total	1,961



AUO	1,675
Daxon	78
Darfon	(26)
Others	33



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# 1Q 2004 Balance Sheet Highlight

*Amount: NT \$ Billion*

	Q1, 2004		Q4, 2003		QoQ
	Value	%	Value	%	Change %
Cash & Equivalent	11.30	12.1%	7.68	8.9%	47%
Accounts Receivable	22.19	23.8%	20.51	23.8%	8%
Inventories	18.48	19.8%	17.32	20.1%	7%
L-T Investments	24.75	26.5%	22.77	26.4%	9%
Total Assets	93.26	100.0%	86.10	100.0%	8%
Liabilities	45.15	48.4%	39.64	46.0%	14%
<i>( Debts )</i>	<i>8.12</i>	8.7%	<i>5.95</i>	6.9%	36%
Equities	48.11	51.6%	45.46	52.8%	6%

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



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# Key Financial Ratios

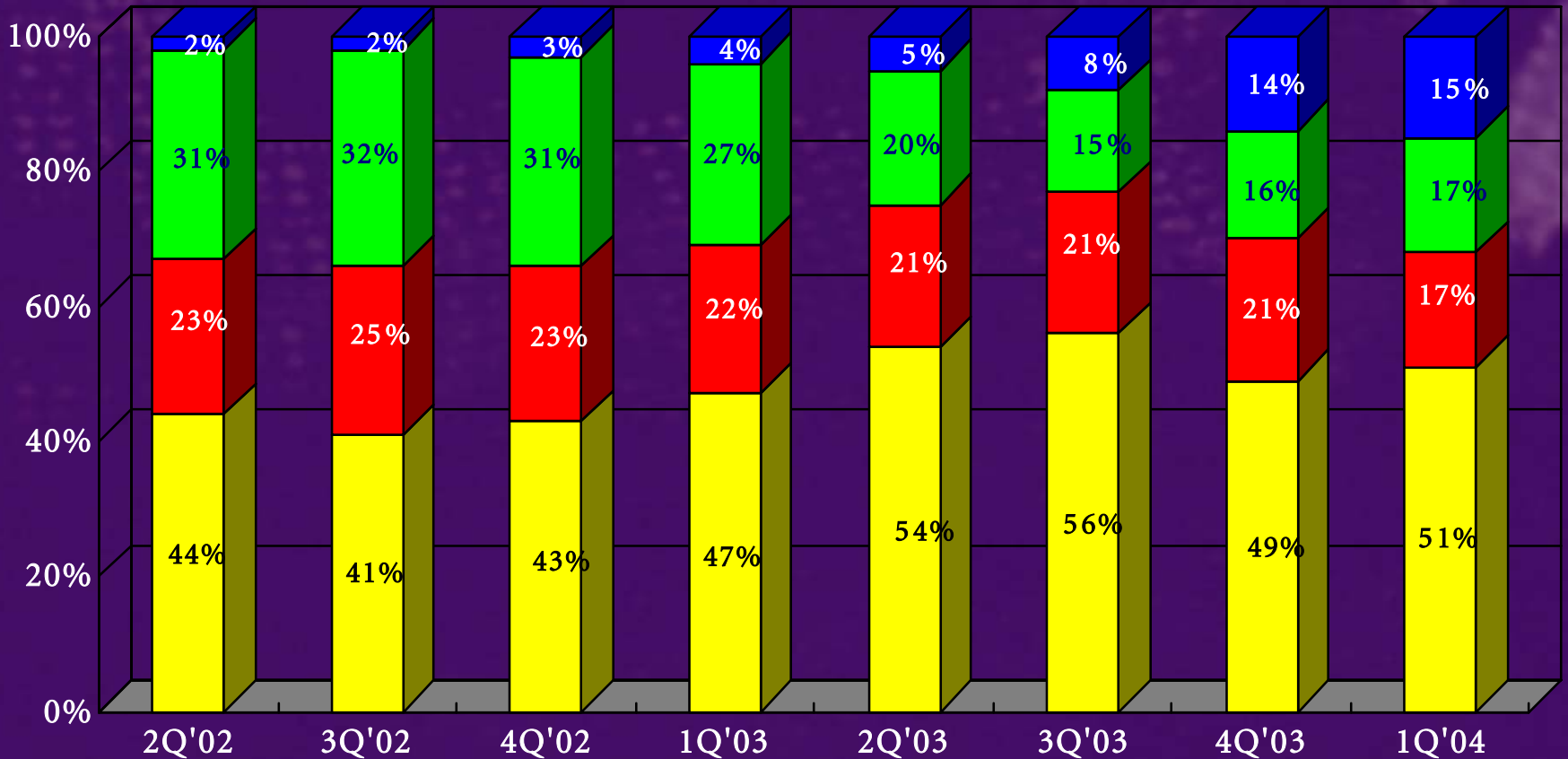
	<u>Q1 '2004</u>	<u>Q4 '2003</u>	<u>Q3 '2003</u>
A/R Turnover	46 days	50 days	53 days
Inventory Turnover	44 days	47 days	45 days
ROA*	13.7%	11.1%	11.1%
ROE*	26.2%	21.1%	20.9%
Total Debt / Total Assets	8.7%	7.2%	14.1%

\* Annualized

	<u>2003</u>	<u>2002</u>	<u>2001</u>
ROE	17.3%	21.5%	11.1%

# Sales Breakdown by Business

■ Display     
 ■ Imaging & Storage     
 ■ Communications     
 ■ Digital Media



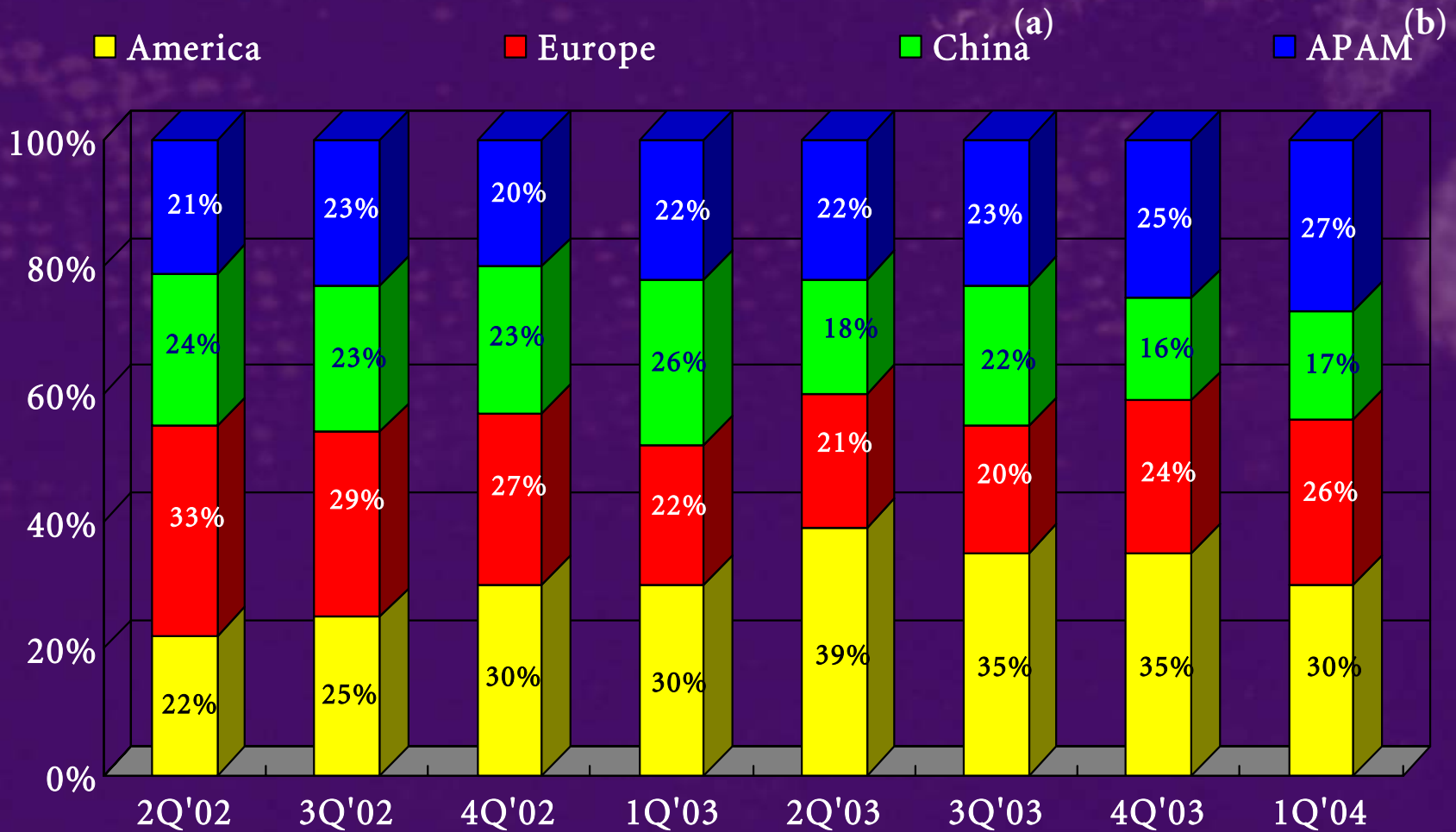
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# Sales Breakdown by Geography



(a) Including HK

(b) Asia Pacific, Africa, and Middle East



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# Recap of Recent Major Events

- BenQ Board of Directors proposed NT\$ 2.0 cash dividend and NT\$ 1.0 stock dividend. (2004/04/27)
- BenQ bought 4.457 million shares of treasury stock from the market. (2004/03/31 – 2004/04/02)
- BenQ received 15 iF Design China Awards 2004. (2004/04/26)
- BenQ showcased its exciting and innovative line of "Networked Digital Life Style Experience" products at CeBIT 2004. (2004/03/18)
- BenQ introduced Qband.com.tw, an online music portal, initiated a new trend in digital music. (2004/03/05)

# New Products Launched in Last Quarter

## Digital Media BG



### Joybook 6000

Weighting 1.6 kg and featuring a 12.1" wide-screen, you can work and play without limits

### Joybook 8100

At the 200 nits, the Joybook 8100 dazzles users with the world brightest wide-screen (WGA)

### Joybee 110

Hip and original, music never looked so good



## Networking Communication BG

### S670C Camera Phone

Make any occasion fun with BenQ's exclusive 3D Face Morphing Technology



### Joybee 125

Convenient access to data and music. Life has never been this easy



Please visit BenQ website (<http://www.benq.com>) for details and more information

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# New Products Launched in Last Quarter

## FP 783 LCD Monitor

## Display Network Business Group



Breaking the molds of monitor design, this iF Design, CES Award winning is truly unique



## F231W

The 23' High Resolution screen will keep you hooked with its amazingly fast 16ms response time

## Imaging Network Business Group



## DW1600A/ DW830A

BenQ leads the way with 16x DVD+R recording speed and DVD+R double-layer technology



## DC S30/40

Take photographs, record continuous movies and play back music. Express your own personal style



Please visit BenQ website (<http://www.benq.com>) for details and more information



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# 2004 Q2 Guidance

- Q2 revenue to increase over 5% QoQ and 78% YoY.
- Display : LCD monitor shipments to continue increasing. Panel remains a constraint and its pricing will be stable.
- Imaging & Storage : Revenue to increase more than 20% contributed by mass delivery to PC customers. Will deliver the first MFP and dual-format, dual layer 16X DVD RW from June.
- Communications : Stronger momentum than Q1. Start delivery to European customers.
- Digital Media : Projector revenue to increase more than 40% QoQ.



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**BenQ Corporation**  
**Reviewed Non-consolidated Balance Sheets (Parent Company Only)**  
**March 31, 2004 and 2003**  
(expressed in thousands of New Taiwan dollars)

Assets	<u>2004.3.31</u> NT\$	<u>2003.3.31</u> NT\$	Liabilities and Stockholders' Equity	<u>2004.3.31</u> NT\$	<u>2003.3.31</u> NT\$
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	400,807	223,768	Short-term borrowings	-	3,368,007
Short-term investments	6,946,458	12,820,019	Current portion of long-term debt	-	30,142
Notes and accounts receivable	10,665,219	6,044,598	Notes and accounts payable	8,780,351	5,557,737
Receivables from related parties	18,870,054	15,356,934	Payables to related parties	18,177,151	12,378,032
Other financial assets	105,285	98,097	Bonds payable	201,700	2,207,800
Inventories	6,244,828	4,134,134	Accrued expenses and other current liabilities	4,541,897	4,106,994
Prepaid expenses and other current assets	274,729	178,676	Accrued income tax	330,949	1,012,699
Deferred income tax assets-current	<u>1,000,949</u>	<u>908,121</u>	Deferred inter-company profit	<u>351,326</u>	<u>159,316</u>
<b>Total current assets</b>	<u>44,508,329</u>	<u>39,764,347</u>	<b>Total current liabilities</b>	<u>32,383,374</u>	<u>28,820,727</u>
<b>Long-term equity investments:</b>			<b>Bonds payable</b>	2,255,505	1,394,145
Equity method	28,860,134	23,710,388	<b>Other liabilities</b>	<u>433,252</u>	<u>433,470</u>
Cost or lower-of-cost-or-market method	<u>2,423,620</u>	<u>2,466,689</u>	<b>Total liabilities</b>	<u>35,072,131</u>	<u>30,648,342</u>
	<u>31,283,754</u>	<u>26,177,077</u>	<b>Stockholders' equity:</b>		
<b>Property, plant and equipment:</b>			<b>Common stock:</b>		
Land	2,379,356	2,040,680	Common stock	20,664,188	16,810,510
Buildings	3,970,435	3,682,367	Convertible bonds applied for conversion	<u>10,594</u>	<u>-</u>
Machinery and equipment	2,299,678	2,221,016		<u>20,674,782</u>	<u>16,810,510</u>
Furniture and fixtures	137,479	119,841	<b>Capital surplus:</b>		
Miscellaneous equipment	69,110	67,143	Additional paid-in capital in excess of the common	5,163,980	5,238,950
Prepayments for plant and equipment	<u>138,450</u>	<u>169,758</u>	stock's par value		
	8,994,508	8,300,805	Convertible bonds converted in excess of the common	7,120,991	6,461,269
Less: accumulated depreciation	<u>(2,210,379)</u>	<u>(1,718,890)</u>	stock's par value		
<b>Net property, plant and equipment</b>	<u>6,784,129</u>	<u>6,581,915</u>	Treasury stock	-	2,981
Leased assets	454,126	-	Capital surplus from long-term equity investments	<u>1,386,500</u>	<u>1,588,233</u>
Assets for sale	-	663,321		<u>13,671,471</u>	<u>13,291,433</u>
Refundable deposits	7,268	8,628	Legal reserve	2,504,415	1,764,452
Deferred assets	112,246	117,901	Retained earnings	11,227,001	10,185,673
Deferred income tax assets-noncurrent	<u>63,591</u>	<u>62,171</u>	Translation adjustment	207,438	754,870
<b>Total other assets</b>	<u>637,231</u>	<u>852,021</u>	Treasury stock	<u>(143,795)</u>	<u>(79,920)</u>
			<b>Total stockholders' equity</b>	<u>48,141,312</u>	<u>42,727,018</u>
<b>Total assets</b>	<u>83,213,443</u>	<u>73,375,360</u>	<b>Total liabilities and stockholders' equity</b>	<u>83,213,443</u>	<u>73,375,360</u>

## BenQ Corporation

### Reviewed Non-consolidated Statements of Income (Parent Company Only) Three-month periods ended March 31, 2004 and 2003 (expressed in thousands of New Taiwan dollars, except earnings per share)

	2004	%	2003	%
	NT\$		NT\$	
<b>Net sales</b>	38,617,315	100	23,319,937	100
<b>Cost of goods sold</b>	<u>(34,820,040)</u>	<u>(90)</u>	<u>(20,618,070)</u>	<u>(88)</u>
	3,797,275	10	2,701,867	12
<b>Change in unrealized intercompany profits</b>	<u>(183,767)</u>	<u>(1)</u>	<u>17,891</u>	<u>-</u>
<b>Gross profit</b>	<u>3,613,508</u>	<u>9</u>	<u>2,719,758</u>	<u>12</u>
<b>Operating expenses:</b>				
Selling	(1,090,108)	(3)	(797,081)	(3)
Administrative	(253,859)	-	(217,107)	(1)
Research and development	<u>(838,611)</u>	<u>(2)</u>	<u>(488,838)</u>	<u>(2)</u>
	<u>(2,182,578)</u>	<u>(5)</u>	<u>(1,503,026)</u>	<u>(6)</u>
<b>Operating income</b>	<u>1,430,930</u>	<u>4</u>	<u>1,216,732</u>	<u>6</u>
<b>Non-operating income:</b>				
Interest income	1,065	-	3,650	-
Investment income, net	1,706,861	4	345,528	1
Dividend income	2,367	-	2,578	-
Gain on disposal of Property, plant and equipment	878	-	680	-
Gain on disposal of investments, net	27,282	-	76,593	-
Foreign exchange Gain, net	116,196	-	26,059	-
Other	<u>28,557</u>	<u>-</u>	<u>30,117</u>	<u>-</u>
	<u>1,883,206</u>	<u>4</u>	<u>485,205</u>	<u>1</u>
<b>Non-operating expense:</b>				
Interest expense	(30,405)	-	(51,492)	-
Loss on disposal of Property, plant and equipment	(2,681)	-	(21,079)	-
Other	<u>(3,830)</u>	<u>-</u>	<u>(4,617)</u>	<u>-</u>
	<u>(36,916)</u>	<u>-</u>	<u>(77,188)</u>	<u>-</u>
<b>Net income before income tax expense</b>	3,277,220	8	1,624,749	7
<b>Income tax expense</b>	<u>(210,392)</u>	<u>-</u>	<u>(160,203)</u>	<u>(1)</u>
<b>Net income</b>	<u><b>3,066,828</b></u>	<u><b>8</b></u>	<u><b>1,464,546</b></u>	<u><b>6</b></u>
<b>Earnings per share:</b>				
<b>Basic earnings per share</b>	<u><b>1.49</b></u>		<u><b>0.71</b></u>	
<b>Diluted earnings per share</b>	<u><b>1.48</b></u>		<u><b>0.70</b></u>	



**BenQ Corporation**

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

**Three-month periods ended March 31, 2004 and 2003**  
(expressed in thousands of New Taiwan dollars)

	<b>2004</b>	<b>2003</b>
	<b>NT\$</b>	<b>NT\$</b>
<b>Cash flows from operating activities:</b>		
Net income	3,066,828	1,464,546
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	147,234	137,789
Amortization	21,587	22,831
Change in provision for bad debt	26,930	(43,714)
Change in provision for inventory obsolescence	(2,323)	(43,275)
Investment income on long-term equity investments, net	(1,706,861)	(345,528)
Cash dividends received from investees accounted for by equity method		
Gain on disposal of long-term equity investments		
Gain on disposal of short-term equity investments	(27,282)	(76,593)
Loss on disposal of property, plant and equipment	1,803	20,399
Loss on physical count of fixed assets	-	864
Fixed assets transferred to expenses	-	2,400
Unrealized foreign exchange gain on overseas convertible bonds	(14,757)	(8,040)
Provision (reversal) for redemption of overseas convertible bonds	(4,242)	6,038
Amortization of bond issuance cost	267	2,686
Differences in accounts in the accompanying balance sheets:		
Notes and accounts receivable	(2,389,092)	179,794
Receivables from related parties	864,449	(1,058,307)
Inventories	(778,000)	(856,180)
Other financial assets-current	(35,664)	(45,828)
Prepaid expenses and other current assets	24,422	39,992
Notes and accounts payable	1,816,896	(496,057)
Payables to related parties	2,050,239	(454,678)
Deferred inter-company profit	183,766	(17,891)
Accrued expenses and other current liabilities	(82,530)	144,947
Income tax payable	269,585	246,715
Deferred income tax assets	(59,307)	(88,955)
Deferred Credit	(4,776)	(4,776)
<b>Net cash provided by (used in) operating activities</b>	<u>3,369,172</u>	<u>(1,270,821)</u>
<b>Cash flows from investing activities:</b>		
Increase in long-term investments	(92,781)	(95,905)
Increase in short-term investments	(3,438,655)	(2,954,831)
Additions to property, plant and equipment	(65,661)	(137,750)
Proceeds from disposal of property, plant and equipment	7,336	457
Increase in refundable deposits and deferred assets	(4,283)	(11,598)
Receipt from investees' capital reduction	6,161	17,484
<b>Net cash used in investing activities</b>	<u>(3,587,883)</u>	<u>(3,182,143)</u>
<b>Cash flows from financing activities:</b>		
Decrease in long-term debt	-	(10,048)
Increase in short-term borrowings	-	2,779,278
Redemption of convertible bonds	-	(118,166)
Decrease (increase) in treasury stock	(520,055)	-
<b>Net cash provided by (used in) financing activities</b>	<u>(520,055)</u>	<u>2,651,064</u>
<b>Net decrease in cash and cash equivalents</b>	(738,766)	(1,801,900)
<b>Cash and cash equivalents at beginning of period</b>	<u>1,139,573</u>	<u>2,025,668</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>400,807</u></u>	<u><u>223,768</u></u>
<b>Additional disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest, excluding capitalized interest	<u>26,897</u>	<u>7,298</u>
Income taxes	<u>116</u>	<u>2,443</u>
<b>Supplemental disclosure of non-cash investing and financial activities:</b>		
Decrease in translation adjustment	<u>269,423</u>	<u>11,213</u>
Convertible bonds converted to common stock and capital surplus	<u>422,847</u>	<u>-</u>

**BenQ Corporation.**

**Unaudited Core Business Consolidated Balance Sheet**

**MAR. 31, 2004**

UNIT : NT\$K

<b>Assets</b>			<b>Liabilities &amp; stockholders' equity</b>		
<b>Current assets :</b>			<b>Liabilities</b>		
Cash & cash equivalent	4,082,073	4.4%	Short term borrowings	5,859,720	6.3%
Short term investment	7,215,983	7.7%	N/P & A/P	22,961,590	24.6%
Net notes and accounts receivable	19,657,133	21.1%	N/P & A/P to related parties	5,779,893	6.2%
N/R & A/R from related parties	2,535,738	2.7%	Bond payable	201,700	0.2%
Net inventories	18,476,547	19.8%	Accrued exp. & other current liab.	8,042,424	8.6%
Prepaid expenses & other current assets	2,941,491	3.2%	<b>Total current liabilities</b>	<u>42,845,327</u>	45.9%
<b>Total current assets</b>	<u>54,908,964</u>	58.9%	Long term loan	4,527	0.0%
Long term investments	24,752,448	26.5%	Bond payable	2,255,505	2.4%
<b>Fixed assets :</b>	18,198,267	19.5%	Other liabilities	45,632	0.0%
Less : Accumulated depreciation	<u>(5,387,449)</u>	5.8%	<b>Total liabilities</b>	<u>45,150,992</u>	48.4%
<b>Total fixed assets</b>	<u>12,810,817</u>	13.7%	<b>Stockholder' equities</b>	0	
Other assets	788,978	0.8%	Common stock	20,674,782	22.2%
			Treasury stock	<u>(143,795)</u>	-0.2%
			Capital surplus	13,671,471	14.7%
			Legal reserve	2,504,415	2.7%
			Retained earnings	11,227,001	12.0%
			Translation adjustment	176,342	0.2%
			<b>Total stockholder' equities</b>	<u>48,110,216</u>	51.6%
<b>Total Assets</b>	<u>\$ 93,261,207</u>	100.0%	<b>Total Liabilities &amp; stockholders' equity</b>	<u>\$ 93,261,207</u>	100.0%

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**Unaudited Core Business Consolidated Income Statement**

**MAR' 2004**

UNIT : NT\$K

<b>Net sales</b>	\$ 42,219,309	100.0%
Cost of goods sold	<u>(36,840,383)</u>	-87.3%
<b>Gross profit</b>	<u>5,378,927</u>	12.7%
<b>Operating expense :</b>	0	
S & M	<u>(2,647,321)</u>	-6.3%
G & A	<u>(518,106)</u>	-1.2%
R & D	<u>(879,469)</u>	-2.1%
<b>Total Operating expense</b>	<u>(4,044,896)</u>	-9.6%
Operating income (loss)	1,334,031	3.2%
Non-operating in net income(loss)	1,961,389	4.6%
<b>Earning Before income tax</b>	<u>3,295,420</u>	7.8%
<b>Income tax</b>	<u>(228,592)</u>	-0.5%
Minority interest in net income (loss)	0	0.0%
<b>Profit after tax</b>	<u>\$ 3,066,828</u>	7.3%