

Qisda Corporation Investor Conference 2008 Q4 Results

March 17, 2009

Qisda

Outline

- 2008 & Q4 Financial Results
- 2008 Q4 Business Summary
- 2009 Q1 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.

2008 & Q4 Financial Results

2008 Q4 Financial Highlights

- Despite weak macro economy in Q4, Qisda reported improved financial results:
 - positive operating income NT\$ 272 M
 - positive cash flow NT\$ 5.8 B
- Operating income turned positive. Major contributions: cost control, product mix & favorable exchange rate
- Positive cash flow contributed from better control of inventory & accounts receivable

Q4 Income Statement QoQ Analysis

Amount : NT\$ Billion

	2008 Q4		2008 Q3		QoQ
Net Sales	24.66	100.0%	27.00	100.0%	(8.7%)
COGS	(23.07)		(25.98)		
Gross Margin (a)	1.59	6.4%	1.01	3.8%	+2.6 ppt
Opex	(1.32)	(5.3%)	(1.39)	(5.1%)	
Operating Income	0.27	1.1%	(0.37)	(1.4%)	+2.5 ppt
Net Non-op Items (b)	(3.82)		(1.29)		
Income before Tax	(3.55)		(1.66)		
Net Income	(3.61)	(14.6%)	(1.86)	(6.9%)	-7.7 ppt
EPS-Diluted (NT\$)	(1.94)		(1.00)		
Net Worth / Share (NT\$)	11.75		13.88		

(a) Gross margin improvement from cost control, product mix & favorable exchange rate

(b) Non-op items were mainly non-cash investment losses

* Core business unaudited consolidated result

* EPS-Diluted was calculated based on total diluted weighted average outstanding shares (1,857 m shares)

* Net Worth per share was calculated based on total outstanding shares (1,926 m shares)

Q4 Balance Sheet Highlights

Amount: NT \$ Billion

	Q4 2008		Q3 2008		QoQ
Cash & Equivalent	13.19	15.7%	7.39	8.0%	5.80
Accounts Receivable	12.24	14.6%	17.95	19.4%	(5.72)
Inventory	7.94	9.5%	13.12	14.1%	(5.18)
L-T Investments	35.37	42.2%	39.06	42.1%	(3.69)
Total Assets	83.81	100.0%	92.77	100.0%	(8.96)
Fin. Debts (a)	39.53	47.2%	36.21	39.0%	3.32
Accounts Payable	13.49	16.1%	21.46	23.1%	(7.98)
Total Liabilities	61.18	73.0%	66.05	71.2%	(4.87)
Equity	22.63	27.0%	26.72	28.8%	(4.09)

(a) Increase of Fin. Debts was caused by draw-down of short term loans. It was however lower than the cash increase.

* Core business unaudited consolidated result
* Fin. Debts included long-term and short-term financial debts

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Q4 Key Financial Ratios

	2008 Q4	2008 Q3	QoQ
A/R Turnover	51 days	60 days	(9) days
Inventory Turnover	38 days	48 days	(10) days
A/P Turnover	63 days	79 days	(16) days
Cash Conversion Cycle (a)	26 days	29 days	(3) days
ROA	(4.1%)	(2.0%)	-2.1 ppt
ROE	(14.6%)	(6.6%)	-8.0 ppt
Current ratio (b)	89.3%	96.8%	-7.5 ppt
Fin. Debts / Total Assets	47.2%	39.0%	+8.2 ppt

(a) CCC improvement contributed from better control of A/R & inventory

(b) Lower current ratio due to re-classifying long-term loans to short-term ones

* Core business unaudited consolidated result
* ROA and ROE were calculated on a quarterly basis

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2008 Financial Highlights

- Positive cash flow NT\$ 7.3 B, mainly from working-capital improvement (NT\$ 4.6 B) and capital injection (NT\$ 5 B)
- Operating income improved sequentially since Q2 and turned positive in Q4
- Net loss: NT\$ 3.15 B, EPS: NT\$ -1.70
- Fin. debts reduced from NT\$ 42.7 B to NT\$ 39.5 B
- Exchangeable Bonds NT\$ 2.4 B repaid in Jan. 2009

2008 Income Statement YoY Analysis

Amount : NT\$ Billion

	2008		2007 (a)		YoY
Net Sales	111.34	100.0%	129.29	100.0%	(13.9%)
COGS	(106.47)		(120.89)		
Gross Margin	4.87	4.4%	8.41	6.5%	-2.1 ppt
Opex	(6.19)	(5.6%)	(13.45)	(10.4%)	-4.8 ppt
Operating Income	(1.33)	(1.2%)	(5.04)	(3.9%)	+2.7 ppt
Net Non-op Items	(1.31)		9.90		
Income before Tax	(2.63)		4.85		
Net Income	(3.15)	(2.8%)	4.77	3.7%	-6.5 ppt
EPS-Diluted (NT\$) (b)	(1.70)		2.57		
Net Worth / Share (NT\$) (c)	11.75		12.43		

* Core business unaudited consolidated results.

(a) On 1st September 2007, Qisda spun off its branded business. 2007 results included branded business from January through August.

(b) EPS-Diluted was calculated based on total diluted weighted average outstanding shares (1,857 m shares)

(c) Net Worth per share was calculated based on total outstanding shares (1,926 m shares)

2008 Balance Sheet Highlights

Amount: NT \$ Billion

	2008		2007		YoY
Cash & Equivalent (a)	13.19	15.7%	5.89	6.1%	7.30
Accounts Receivable	12.24	14.6%	19.30	20.1%	(7.06)
Inventory	7.94	9.5%	14.30	14.9%	(6.36)
L-T Investments	35.37	42.2%	40.60	42.3%	(5.23)
Total Assets	83.81	100.0%	96.06	100.0%	(12.26)
Fin. Debts	39.53	47.2%	42.66	44.4%	(3.13)
Accounts Payable	13.49	16.1%	22.33	23.2%	(8.84)
Total Liabilities	61.18	73.0%	72.12	75.1%	(10.94)
Equity	22.63	27.0%	23.94	24.9%	(1.31)

(a) Positive cash flow mainly from working-capital improvement & capital injection

* Core business unaudited consolidated result
* Fin. Debts included long-term and short-term financial debts

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2008 Key Financial Ratios

	2008	2007	YoY
A/R Turnover	51 days	56 days	(5) days
Inventory Turnover	38 days	46 days	(8) days
A/P Turnover	63 days	70 days	(7) days
Cash Conversion Cycle ^{a)}	26 days	32 days	(6) days
ROA	(3.8%)	5.0%	-8.8 ppt
ROE	(13.9%)	19.9%	-33.8 ppt
Current ratio ^(b)	89.3%	96.8%	-7.5 ppt
Fin. Debts / Total Assets	47.2%	44.4%	+2.8 ppt

(a) CCC improvement contributed from better control of A/R & inventory

(b) Lower current ratio due to re-classifying exchangeable bonds and long-term loans to short-term liabilities

* Core business unaudited consolidated result
* ROA and ROE were calculated on an annual basis

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2008 Q4 Business Summary

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2008 Q4 Business Summary

- QoQ revenue change: -8.7%
- QoQ revenue change by product line:

Product Line	Trend	Remark
Monitor		weak economy & ASP reduction
LCD TV		seasonality & new projects
Projector		weak economy
SPC ^(a)		project phased out
Mobile		new projects
Infotainment		weak economy

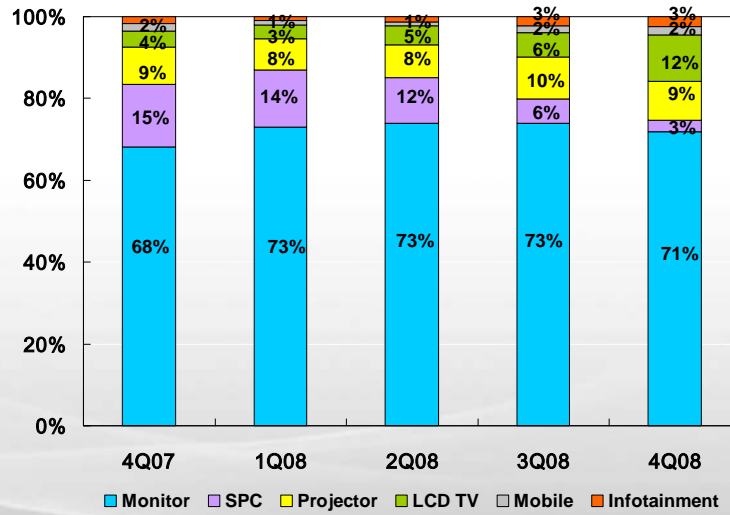
(a) SPC includes scanner, printer and copier

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Revenue Breakdown by Product Line



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Quality
Innovation
Speed

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Qisda Corporation.
Unaudited Core Business Consolidated Balance Sheet
DEC ,31, 2008

UNIT : NT\$K

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	13,189,757	15.7%	Short term borrowings	14,438,320	17.2%
Net notes and accounts receivable	6,907,253	8.2%	N/P & A/P	11,662,992	13.9%
N/R & A/R from related parties	5,329,729	6.4%	N/P & A/P to related parties	1,822,118	2.2%
Net inventories	7,937,866	9.5%	Bond payable	6,384,716	7.6%
Prepaid expenses & other current assets	<u>3,623,217</u>	4.3%	Accrued exp. & other current liab.	<u>7,102,277</u>	8.5%
Total current assets	36,987,822	44.1%	Total current liabilities	41,410,423	49.4%
Long term investments	35,365,248	42.2%	Long term loan	17,352,494	20.7%
Fixed assets :	16,857,435	20.1%	Bond payable	1,600,000	1.9%
Less : Accumulated depreciation	<u>(6,992,272)</u>	8.3%	Other liabilities	<u>815,028</u>	1.0%
Total fixed assets	9,865,163	11.8%	Total liabilities	61,177,946	73.0%
Other assets	1,585,989	1.9%	Stockholder' equities		
			Common stock	19,282,176	23.0%
			Capital surplus	6,956,567	8.3%
			Legal reserve	344,528	0.4%
			Unrealized gain or loss on financial product	<u>(2,870,090)</u>	-3.4%
			Retained earnings	<u>(2,061,524)</u>	-2.5%
			Translation adjustment	1,052,316	1.3%
			Treasury stock	<u>(77,698)</u>	-0.1%
			Total stockholder' equities	22,626,276	27.0%
 Total Assets	 <u>\$ 83,804,221</u>	 100.0%	 Total Liabilities & stockholders' equity	 <u>\$ 83,804,221</u>	 100.0%

Qisda Corporation.
Unaudited Core Business Consolidated Income Statement
JAN~DEC' 2008

UNIT : NT\$K

Net sales	\$ 111,335,454	100.0%
Cost of goods sold	<u>(106,468,945)</u>	-95.6%
Gross profit	4,866,509	4.4%
Operating expense :		
S & M	<u>(2,537,303)</u>	-2.3%
G & A	<u>(1,261,299)</u>	-1.1%
R & D	<u>(2,393,589)</u>	-2.1%
Total Operating expense	(6,192,191)	-5.6%
Operating income (loss)	(1,325,682)	-1.2%
Non-operating in net income(loss)	(1,307,810)	-1.2%
Earning Before income tax	(2,633,492)	-2.4%
Income tax	(516,367)	-0.5%
Minority interest in net income (loss)	0.0%	0.0%
Profit after tax	<u>(\$3,149,860)</u>	-2.8%

Qisda Corporation
Non-consolidated Balance Sheets (Parent Company Only)
December 31, 2007 and 2008
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2007	2008		Liabilities and Stockholders' Equity	2007	2008	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 1,211,176	7,923,880	241,141	Short-term borrowings	\$ 8,694,724	8,953,540	272,475
Financial assets at fair value through profit or loss – current	31,817	43,369	1,320	Financial liabilities at fair value through profit or loss – current	33,860	298,835	9,094
Notes and accounts receivable, net	5,894,181	4,569,254	139,052	Notes and accounts payable	2,742,633	1,147,622	34,925
Accounts receivables from related parties	17,290,895	6,844,522	208,293	Accounts payable to related parties	7,473,962	1,230,370	37,443
Other receivables, net	1,993,248	1,063,665	32,370	Other payable to related parties	480,814	156,122	4,751
Other receivable from related parties	664,337	409,805	12,471	Accrued expenses	4,929,203	3,705,386	112,763
Other financial assets – current	503,051	492,900	15,000	Advance receipts and other current liabilities	383,975	444,845	13,538
Inventories	3,735,146	1,434,006	43,640	Bonds payable	2,200,000	3,478,672	105,863
Prepaid expenses and other current assets	96,669	109,084	3,320	Long-term debt due within one year	-	2,400,000	73,037
Fixed assets held for sale	-	12,777	389	Deferred inter-company profits	332,965	303,100	9,224
Deferred income tax assets – current	133,077	225,467	6,861	Total current liabilities	27,272,136	22,118,492	673,113
Total current assets	31,553,597	23,128,729	703,857				
Long-term investments:				Financial liabilities at fair value through profit or loss-noncurrent	823,820	-	-
Equity method	38,429,998	35,580,730	1,082,797	Bonds payable	5,024,937	1,600,000	48,691
Available-for-sale financial assets – noncurrent	3,260,137	1,620,717	49,322	Long-term debt	19,000,000	16,600,000	505,174
Financial assets carried at cost – noncurrent	175,537	158,508	4,824	Other liabilities			
	41,865,672	37,359,955	1,136,943	Deferred profits on sale-leaseback transaction	937,099	827,923	25,195
				Other liabilities	132,902	9,553	291
Property, plant and equipment:				Total other liabilities	1,070,001	837,476	25,486
Land	647,822	652,697	19,863	Total liabilities	53,190,894	41,155,968	1,252,464
Buildings	1,468,476	1,481,470	45,084				
Machinery and equipment	1,172,677	844,142	25,689	Stockholders' equity:			
Furniture and fixtures	114,957	115,803	3,524	Common stock	15,389,280	19,282,176	586,798
Miscellaneous equipment	51,796	48,768	1,484	Capital surplus:			
Prepayments for plant and equipment	-	15,014	457	Additional paid-in-capital in excess of the common stock's par value	-	2,738,580	83,341
	3,455,728	3,157,894	96,101	Capital surplus from long-term equity investments	5,366,084	4,042,814	123,031
Less: accumulated depreciation	(1,549,420)	(1,373,640)	(41,803)		5,366,084	6,781,394	206,372
Net property, plant and equipment	1,906,308	1,784,254	54,298				
Intangible assets	325,854	72,877	2,218	Legal reserve	-	344,527	10,485
Other assets :				Special reserve	-	175,173	5,331
Assets for lease	142,563	125,383	3,816	Retained earnings (accumulated deficit)	3,445,276	(2,061,523)	(62,736)
Idle Assets	104,324	104,324	3,175	Cumulative translation adjustment	687,770	1,052,316	32,024
Refundable deposits	97,906	95,210	2,897	Unrealized loss on available-for-sale financial assets	(862,944)	(2,870,090)	(87,343)
Deferred expenses	44,681	30,629	932	Treasury stock	(83,102)	(77,698)	(2,365)
Deferred income tax assets – noncurrent	1,006,263	980,315	29,833	Total stockholders' equity	23,942,364	22,626,275	688,566
Prepaid pension cost	86,090	100,567	3,061				
Total other assets	1,481,827	1,436,428	43,714	Commitments and contingencies			
Total assets	\$ 77,133,258	63,782,243	1,941,030	Total liabilities and stockholders' equity	\$ 77,133,258	63,782,243	1,941,030

(Note: Translation of New Taiwan dollar amounts into U.S. dollar amounts for 2008 is included in the non-consolidated financial statements solely for the convenience of the readers, using the spot rate on December 31, 2008, of NT\$32.86 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation

Non-consolidated Statements of Income (Parent Company Only)

For the years ended December 31, 2007 and 2008

(Expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2007	2008		
	NT\$	NT\$	US\$	
Net sales	\$ 122,253,436	75,478,162	2,296,962	
Cost of goods sold	(120,113,517)	(73,115,507)	(2,225,061)	
Gross profit	<u>2,139,919</u>	<u>2,362,655</u>	<u>71,901</u>	
Change in unrealized inter-company profits	(150,984)	29,865	909	
Realized gross profit	<u>1,988,935</u>	<u>2,392,520</u>	<u>72,810</u>	
Operating expenses:				
Selling	(2,884,326)	(1,193,341)	(36,316)	
Administrative	(813,191)	(650,825)	(19,806)	
Research and development	(3,136,308)	(2,163,700)	(65,846)	
	<u>(6,833,825)</u>	<u>(4,007,866)</u>	<u>(121,968)</u>	
Operating loss	<u>(4,844,890)</u>	<u>(1,615,346)</u>	<u>(49,158)</u>	
Non-operating income:				
Interest income	96,122	28,908	880	
Investment income recorded under the equity method, net	6,504,773	-	-	
Dividend income	42,948	205,158	6,243	
Evaluation gain on financial instruments, net	-	566,489	17,240	
Gain on disposal of property, plant and equipment	1,278,603	79,136	2,408	
Gain on disposal of investments, net	4,454,426	773	24	
Others	105,373	202,883	6,174	
	<u>12,482,245</u>	<u>1,083,347</u>	<u>32,969</u>	
Non-operating expenses:				
Interest expense	(1,616,840)	(1,094,378)	(33,304)	
Investment loss recorded under the equity method, net	-	(899,204)	(27,365)	
Loss on disposal of property, plant and equipment	(21,944)	(14,546)	(443)	
Foreign currency exchange loss, net	(335,245)	(588,633)	(17,913)	
Impairment loss	(320,283)	-	-	
Evaluation loss on financial instruments, net	(498,992)	-	-	
Others	(41,780)	(21,100)	(642)	
	<u>(2,835,084)</u>	<u>(2,617,861)</u>	<u>(79,667)</u>	
Income (loss) before income tax	<u>4,802,271</u>	<u>(3,149,860)</u>	<u>(95,856)</u>	
Income tax expense	(30,648)	-	-	
Net income (loss)	<u>\$4,771,623</u>	<u>(3,149,860)</u>	<u>(95,856)</u>	
Earnings (loss) per share:	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Basic earnings per share	<u>2.86</u>	<u>2.84</u>	<u>(1.70)</u>	<u>(1.70)</u>

Qisda Corporation

Non-consolidated Statements of Cash Flows (Parent Company Only)
For the years ended December 31, 2007 and 2008

	2007	2008
	NT\$	NT\$
Cash flows from operating activities:		
Net income (loss)	4,771,623	(3,149,860)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	282,116	169,153
Amortization	489,743	355,625
Amortization of discount on convertible bond	125,589	87,996
Change in provision for bad debt	17,090	(16,901)
Change in provision for inventory obsolescence	(454,668)	1,374
Investment (gain) loss on long-term equity investments, net	(6,504,773)	899,204
Cash dividends received from investments recognized under equity method	309,999	1,974,756
Gain on disposal of financial assets at fair value through profit or loss	(4,546)	-
Gain on disposal of long-term equity investments held for sale	(19,671)	-
Loss on disposal of financial assets carried at cost	779	-
Gain on disposal of long-term equity investments accounted for by equity method	(4,430,988)	(773)
Gain on disposal of property, plant and equipment, net	(1,256,659)	(64,590)
Amortization of deferred profits on sale-leaseback transaction	(45,490)	(109,176)
Amortization of bond issuance costs	10,734	1,400
Impairment loss	320,283	-
Differences in accounts in the accompanying balance sheets:		
Financial assets and liabilities at fair value through profit or loss	524,734	(566,489)
Notes and accounts receivable	(2,360,952)	1,368,329
Receivables from related parties	(1,933,712)	10,485,219
Other receivables	1,448,534	903,082
Inventories	(280,960)	2,299,766
Other financial assets – current	(486,903)	10,151
Prepaid expenses and other current assets	145,112	(18,683)
Prepaid pension	29,083	(14,477)
Notes and accounts payable	(577,711)	(1,595,011)
Payables to related parties	(6,820,593)	(6,568,284)
Deferred inter-company profit	150,985	(29,865)
Accrued expenses and other current liabilities	(2,250,827)	(1,223,837)
Deferred credit	(19,105)	(19,105)
Advance receipts and other current liabilities	-	60,870
Net cash provided by (used in) operating activities	<u>(18,821,154)</u>	<u>5,239,874</u>
Cash flows from investing activities:		
Addition to long-term equity investments	(37,957)	(1,306,767)
Additions to property, plant and equipment	(130,839)	(53,921)
Prepayments for equipment	-	(15,014)
Proceeds from disposal of long-term equity investments	7,009,069	-
Proceeds from disposal of idle assets	-	65,774
Proceeds from disposal of property, plant and equipment	5,562,037	31,322
Increase in refundable deposits and deferred assets	(267,841)	(87,301)
Proceeds from investees' capital reduction	120,425	22,429
Net cash provided by (used in) investing activities	<u>12,254,894</u>	<u>(1,343,478)</u>
Cash flows from financing activities:		
Decrease (increase) in short-term borrowings	(4,992,545)	258,816
Increase in long-term debt	7,000,000	-
Redemption of bonds	(2,050,000)	(2,236,745)
Issuance of convertible bond	4,500,000	-
Distribution of cash dividends, and directors' and supervisors' remuneration	-	(205,763)
Issuance of common stock for cash	-	5,000,000
Net cash provided by financing activities	<u>4,457,455</u>	<u>2,816,308</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,108,805)</u>	<u>6,712,704</u>
Cash and cash equivalents at beginning of period	<u>3,319,981</u>	<u>1,211,176</u>
Cash and cash equivalents at end of period	<u>\$1,211,176</u>	<u>7,923,880</u>
Additional disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$1,442,238</u>	<u>\$1,102,684</u>
Income taxes	<u>\$31,264</u>	<u>\$6,803</u>
Supplemental disclosure of non-cash investing and financing activities:		
Changes in unrealized loss on available-for-sale financial assets	<u>(\$277,505)</u>	<u>(\$1,639,420)</u>
Adjustments of net equity of investee companies	<u>\$237,285</u>	<u>(\$1,323,270)</u>
Increase in cumulative translation adjustment	<u>\$96,421</u>	<u>\$369,475</u>
Treasury stock retired	<u>\$1,759,157</u>	<u>-</u>