

2003 1st Quarter Results

2003年第一季法人說明會

April 28, 2003

BenQ

Agenda

- **Welcome and Introduction**
- **1Q '03 Financial Results**
- **Q&A**



享樂主義者的天堂

- 15:10 的 15.2 吋寬螢幕
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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 condition, 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.

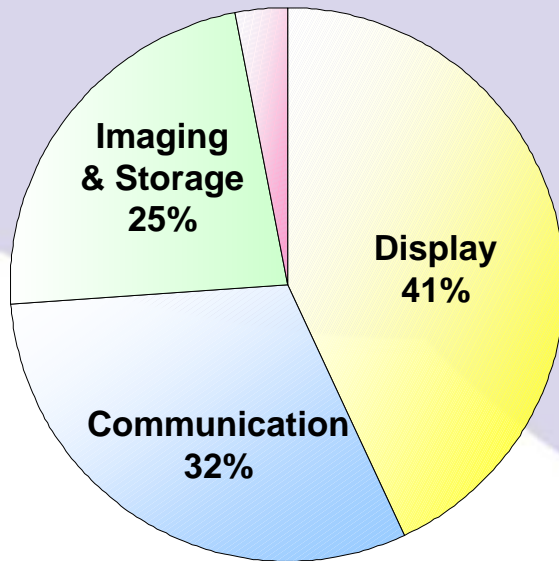
Sales and Profit

(Amount: NT \$ Billion)	Q1 '03		Q4 '02	
Net Sales	26.99	100.0%	28.16	100.0%
Gross Profit	4.34	16.1%	4.48	15.9%
Operating expenses	(2.59)	9.6%	(2.36)	8.4%
Operating Income	1.75	6.5%	2.12	7.5%
Non-Operating Items	(0.11)	(0.4%)	(0.44)	(1.6%)
Income Before Tax	1.64	6.1%	1.68	6.0%
Net Income	1.46	5.4%	1.43	5.1%
EPS	0.87		0.85	

Sales Composition by Product

Q3'02

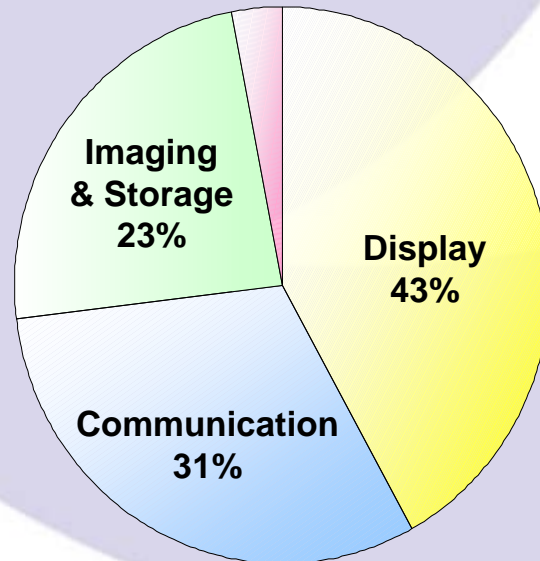
Digital Media 2%



Rev: 22.61B

Q4'02

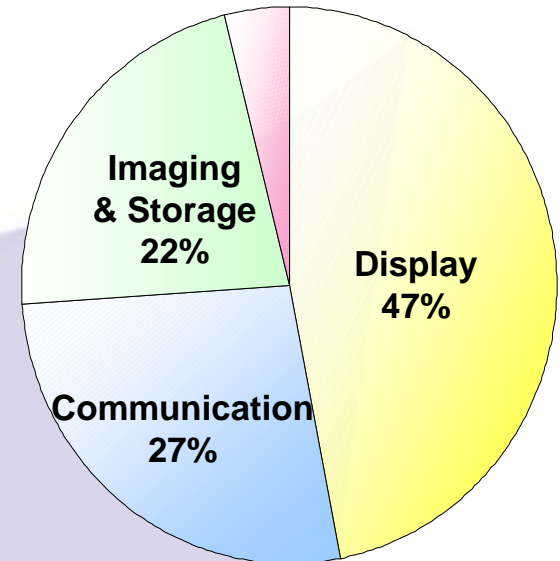
Digital Media 3%



Rev: 28.16B

Q1'03

Digital Media 4%



Rev: 26.99B

Sales Breakdown by Geography

Q3'02

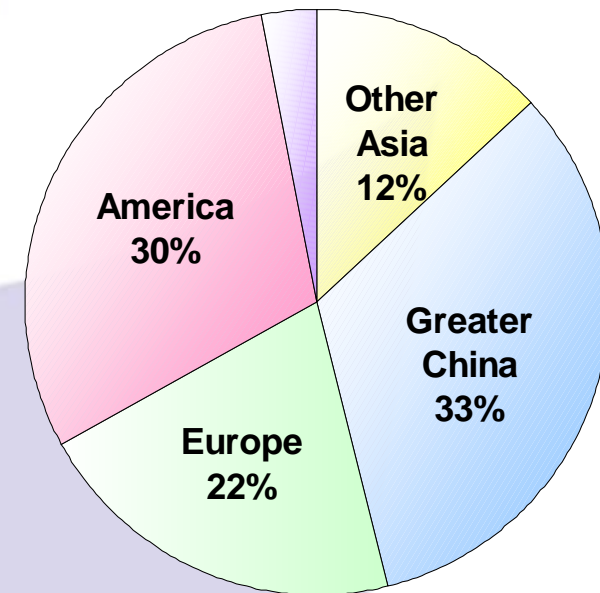
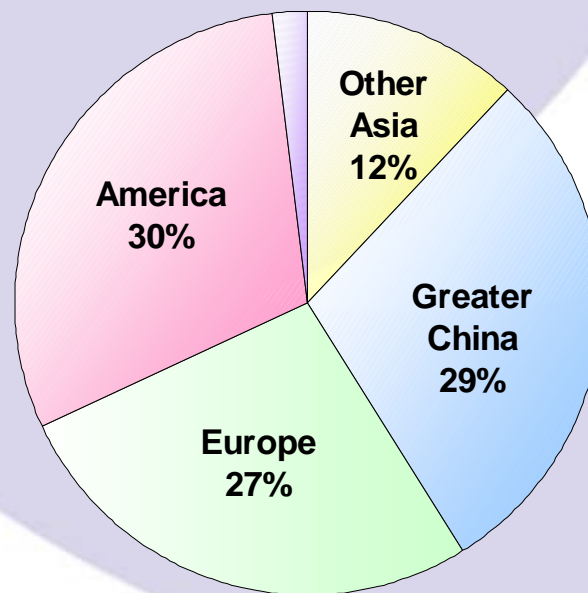
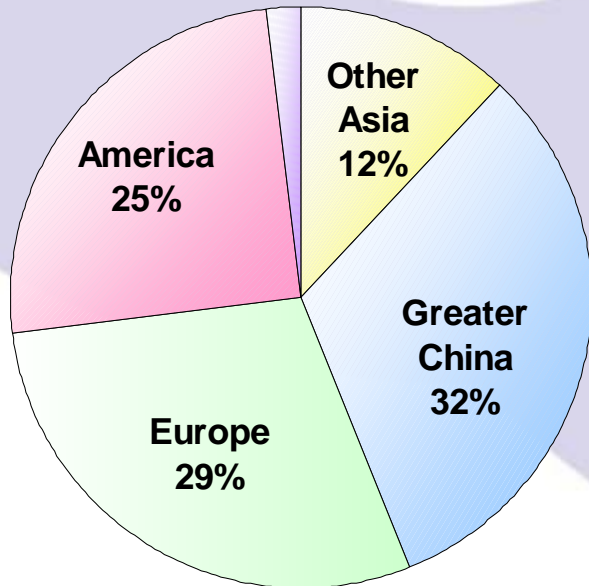
Q4'02

Q1'03

other 2%

other 2%

other 3%



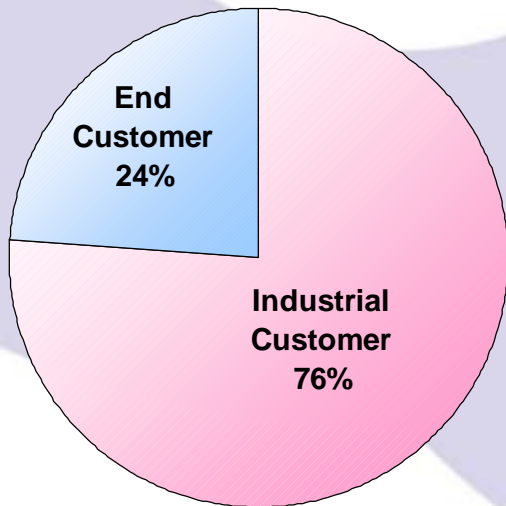
Rev: 22.61B

Rev: 28.16B

Rev: 26.99B

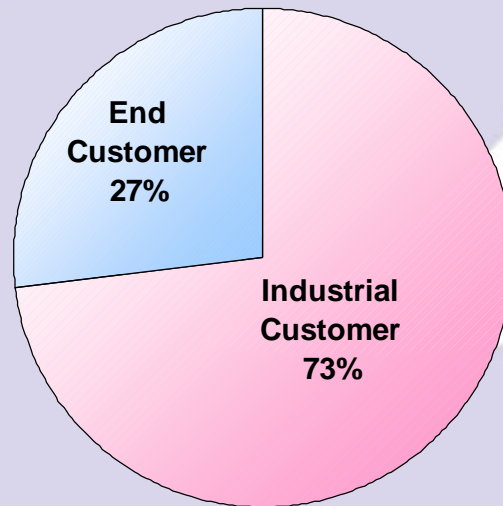
Sales Breakdown by Customer Type

Q3'02



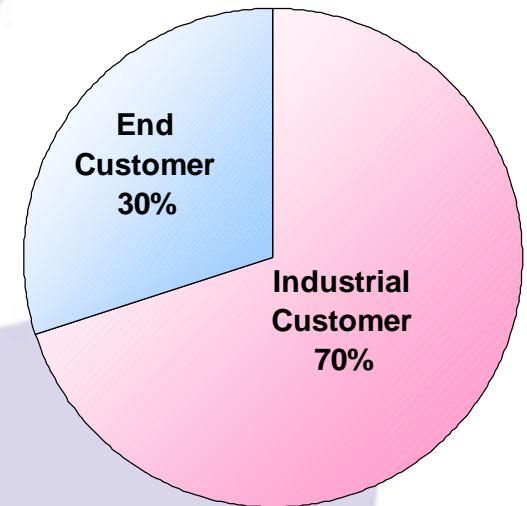
Rev: 22.61B

Q4'02



Rev: 28.16B

Q1'03



Rev: 26.99B

Non-Operating Items & Investment

(Amount: NT \$ Million)	Q1 '03	Q4 '02
Net Interest Inc. / (Exp)	(66)	(90)
Disposal of Securities	76	61
Other Non- Ops	5	7
Investment Inc. / (Loss)	(125)	(418)
AUO	28	(117)
Darfon	(62)	(154)
Daxon	35	47
GPM	*	(35)
Others	(127)	(159)

Key Balance Sheet Items

(Amount: NT \$ Billion)	Q1 '03	Q4 '02	Q o Q
Cash & Marketable	14.99	13.93	8%
Accounts Receivable	16.43	14.63	12%
Inventories	12.60	11.00	15%
L-T Investments	19.78	19.84	0%
Total Assets	79.46	74.90	6%
Liabilities	36.74	33.63	9%
(Debts)	10.04	8.03	25%
Equities	42.72	41.27	3%

Key Financial Ratios

	Q1 '03	Q4 '02
A/R Turnover	52 days	46 days
Inventory Turnover	40 days	35 days
ROA*	7.54%	7.87%
ROE*	13.86%	14.10%
Total Debt / Total Assets	12.64%	10.70%

* Annualized

2003 Q2 Guidance

- LCD monitor demand still strong, shipment will increase slightly (5% ~ 10%)
- Shipment of handsets will remain at the same level of Q1
- Outlook for gross margins still stable
- Q2 overall revenue will be flat (-2% ~ +6%)
- Expenses will get stricter control
- Non-operating items should improve further

BenQ Corporation
Unaudited Non-consolidated Balance Sheets (Parent Company Only)
March 31, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

Assets	<u>2003.03.31</u> NT\$	%	<u>2002.03.31</u> NT\$	%
Current assets:				
Cash and cash equivalents	223,768	-	247,913	-
Short-term investments	12,820,019	18	3,090,066	5
Notes and accounts receivable	6,044,598	8	9,110,907	15
Receivables from related parties	15,356,934	21	11,317,645	19
Other financial assets	98,097	-	48,885	-
Inventories	4,134,134	6	5,140,125	9
Prepaid expenses and other current assets	178,676	-	124,471	-
Deferred income tax assets-current	<u>908,121</u>	<u>1</u>	<u>793,138</u>	<u>1</u>
Total current assets	<u>39,764,347</u>	<u>54</u>	<u>29,873,150</u>	<u>49</u>
Long-term investments:				
Equity method	23,710,388	32	20,469,387	34
Cost or lower-of-cost-or-market method	<u>2,466,689</u>	<u>4</u>	<u>2,459,785</u>	<u>4</u>
	<u>26,177,077</u>	<u>36</u>	<u>22,929,172</u>	<u>38</u>
Property, plant and equipment:				
Land	2,040,680	3	2,265,826	4
Buildings	3,682,367	5	2,006,733	3
Machinery and equipment	2,221,016	3	2,337,750	4
Furniture and fixtures	119,841	-	102,362	-
Miscellaneous equipment	67,143	-	56,105	-
Prepayments for plant and equipment	<u>169,758</u>	<u>-</u>	<u>1,560,724</u>	<u>3</u>
	8,300,805	11	8,329,500	14
Less: accumulated depreciation	<u>(1,718,890)</u>	<u>(2)</u>	<u>(1,445,697)</u>	<u>(2)</u>
Net property, plant and equipment	<u>6,581,915</u>	<u>9</u>	<u>6,883,803</u>	<u>12</u>
Assets for sale	663,321	1	-	-
Refundable deposits	8,628	-	12,113	-
Deferred assets	117,901	-	134,728	-
Deferred income tax assets-noncurrent	<u>62,171</u>	<u>-</u>	<u>429,396</u>	<u>-</u>
Total other assets	<u>852,021</u>	<u>1</u>	<u>576,237</u>	<u>1</u>
Total assets	<u>73,375,360</u>	<u>100</u>	<u>60,262,362</u>	<u>100</u>

BenQ Corporation
Unaudited Non-consolidated Balance Sheets (Parent Company Only)
March 31, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity	<u>2003.03.31</u> NT\$	%	<u>2002.03.31</u> NT\$	%
Current liabilities:				
Short-term borrowings	3,368,007	5	462,469	1
Current portion of long-term debt	30,142	-	40,190	-
Notes and accounts payable	5,557,737	8	7,076,345	12
Payables to related parties	12,378,032	17	8,855,922	15
Bonds payable	2,207,800	3	212,800	-
Accrued expenses and other current liabilities	2,559,833	3	1,607,395	3
Accrued royalty expense	1,547,161	2	870,126	1
Accrued income tax	1,012,699	1	880,265	1
Deferred intercompany profit	<u>159,316</u>	-	<u>214,551</u>	-
Total current liabilities	<u>28,820,727</u>	<u>39</u>	<u>20,220,063</u>	<u>33</u>
Long-term liabilities:				
Bonds payable	1,394,145	2	6,331,727	11
Long-term debt, excluding current portion	-	-	<u>630,142</u>	<u>1</u>
	<u>1,394,145</u>	<u>2</u>	<u>6,961,869</u>	<u>12</u>
Other liabilities	<u>433,470</u>	<u>1</u>	<u>228,341</u>	<u>-</u>
Total liabilities	<u>30,648,342</u>	<u>42</u>	<u>27,410,273</u>	<u>45</u>
Stockholders' equity:				
Common stock:				
Common stock	16,810,510	23	13,983,180	24
Entitlement certificate	-	-	<u>251,050</u>	<u>-</u>
	<u>16,810,510</u>	<u>23</u>	<u>14,234,230</u>	<u>24</u>
Capital surplus:				
Additional paid-in capital in excess of the common stock's par value	5,238,950	7	5,518,615	9
Convertible bonds converted in excess of the common stock's par value	6,461,269	9	4,339,430	7
Treasury stock	2,981	-	954	-
Capital surplus from long-term equity investments and other	<u>1,588,233</u>	<u>2</u>	<u>34,353</u>	<u>-</u>
	<u>13,291,433</u>	<u>18</u>	<u>9,893,352</u>	<u>16</u>
Legal reserve	1,764,452	2	1,461,316	3
Retained earnings	10,185,673	14	6,547,772	11
Translation adjustment	754,870	1	795,576	1
Treasury stock	<u>(79,920)</u>	<u>-</u>	<u>(80,157)</u>	<u>-</u>
Total stockholders' equity	<u>42,727,018</u>	<u>58</u>	<u>32,852,089</u>	<u>55</u>
Total liabilities and stockholders' equity	<u>73,375,360</u>	<u>100</u>	<u>60,262,362</u>	<u>100</u>

BenQ Corporation
Unaudited Non-consolidated Statements of Income (Parent Company Only)
Three-month periods ended March 31, 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	23,319,937	100	23,470,345	100
Cost of goods sold	<u>(20,618,070)</u>	<u>(88)</u>	<u>(20,137,478)</u>	<u>(86)</u>
	<u>2,701,867</u>	<u>12</u>	<u>3,332,867</u>	<u>14</u>
Change in unrealized inter-company profits	<u>17,891</u>	-	<u>49,558</u>	-
Gross profit	<u>2,719,758</u>	<u>12</u>	<u>3,382,425</u>	<u>14</u>
Operating expenses:				
Selling	(797,081)	(3)	(849,905)	(3)
Administrative	(217,107)	(1)	(147,872)	(1)
Research and development	<u>(488,838)</u>	<u>(2)</u>	<u>(360,806)</u>	<u>(2)</u>
	<u>(1,503,026)</u>	<u>(6)</u>	<u>(1,358,583)</u>	<u>(6)</u>
Operating income	<u>1,216,732</u>	<u>6</u>	<u>2,023,842</u>	<u>8</u>
Non-operating income:				
Interest income	3,650	-	9,288	-
Investment income, net	345,528	1	512,018	2
Dividend income	2,578	-	18,776	-
Gain on disposal of property, plant and equipment	680	-	-	-
Gain on disposal of investments, net	76,593	-	15,517	-
Foreign exchange gain, net	26,059	-	-	-
Other	<u>30,117</u>	-	<u>20,408</u>	-
	<u>485,205</u>	<u>1</u>	<u>576,007</u>	<u>2</u>
Non-operating expense:				
Interest expense	(51,492)	-	(108,121)	-
Loss on disposal of property, plant and equipment	(21,079)	-	-	-
Foreign exchange loss, net	-	-	(13,640)	-
Other	<u>(4,617)</u>	-	<u>(2,079)</u>	-
	<u>(77,188)</u>	-	<u>(123,840)</u>	-
Net income before income tax expense	1,624,749	7	2,476,009	10
Income tax expense	<u>(160,203)</u>	<u>(1)</u>	<u>(315,376)</u>	<u>(1)</u>
Net income	<u>1,464,546</u>	<u>6</u>	<u>2,160,633</u>	<u>9</u>
Earnings per share				
Basic earnings per share	<u>0.87</u>		<u>1.38</u>	
Diluted earnings per share	<u>0.86</u>		<u>1.31</u>	

BenQ Corporation Financial Forecast
Unaudited Non-Consolidated Statements of Cash Flows
Three-month periods ended March 31, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

	<u>2003</u> NT\$	<u>2002</u> NT\$
Cash flows from operating activities:		
Net income	1,464,546	2,160,633
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	137,789	126,389
Amortization	22,831	21,516
Increase (decrease) in allowance for doubtful accounts	(43,714)	6,645
Provision (reversal) for inventory obsolescence	(43,275)	10,119
Investment loss (income) on long-term equity investments, net	(345,528)	(512,018)
Cash dividends received from investees accounted for by equity method	-	59,500
Loss (gain) on disposal of property, plant and equipment	20,399	270
Write-off fixed assets	864	-
Fixed assets transferred to expenses	2,400	
Unrealized exchange loss (gain) on overseas convertible bonds	(8,040)	(3,882)
Decrease (increase) in notes and accounts receivable	179,794	(3,832,868)
Increase in receivables from related parties	(1,058,307)	(857,570)
Increase in inventories	(856,180)	(1,061,187)
Decrease (increase) Other financial assets-current	(45,828)	337,679
Decrease in prepaid expenses and other current assets	39,992	31,514
Increase (decrease) in notes and accounts payable	(496,057)	(648,975)
Increase (decrease) in payables to related parties	(454,678)	2,222,672
Decrease in deferred inter-company profit	(17,891)	(49,558)
Increase (decrease) in accrued expenses and other current liabilities	(17,987)	391,429
Increase in accrued royalty expense	162,934	215,403
Increase in accrued income tax	246,715	318,434
Increase in deferred income tax assets	(88,955)	(3,367)
Decrease in deferred liabilities	(4,776)	(4,776)
Provision for redemption of overseas convertible bonds	6,038	67,127
Amortization of bond issuance costs	2,686	15,683
Net cash provided by (used in) operating activities	<u>(1,194,228)</u>	<u>308,762</u>
Cash flows from investing activities:		
Additions to long-term equity investments	(95,905)	(236,150)
Decrease (increase) in short-term investment	(3,031,424)	379,760
Additions to property, plant and equipment	(137,750)	(323,504)
Proceeds from disposal of property, plant and equipment	457	4,156
Increase in refundable deposits and deferred assets	(11,598)	(17,873)
Receipt from investees' capital reduction	17,484	175,070
Net cash used in investing activities	<u>(3,258,736)</u>	<u>(18,541)</u>
Cash flows from financing activities:		
Decrease in long-term borrowing	(10,048)	(10,048)
Increase (decrease) in short-term borrowings	2,779,278	(1,123,094)
Redemption of oversea convertible bond	(118,166)	-
Treasury stock transferred to employee	-	530,403
Net cash provided by (used in) financing activities	<u>2,651,064</u>	<u>(602,739)</u>
Net decrease in cash and cash equivalents	(1,801,900)	(312,518)
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>223,768</u>	<u>247,913</u>
Additional disclosure of cash flow information:		
Cash paid during the year for:		
Interest, excluding capitalized interest	<u>7,298</u>	<u>13,951</u>
Income taxes	<u>2,443</u>	<u>309</u>

Supplemental disclosure of non-cash investing and financial activities:Convertible bonds converted to common stock and capital surplus = **2,092,044**

BenQ Corporation
Unaudited Consolidated Balance Sheets
March 31, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

	<u>2003</u>	
	NT\$	%
Assets		
Current assets :		
Cash & cash equivalent	1,839,056	2.3%
Short term investment	13,155,576	16.6%
Net notes and accounts receivable	14,967,014	18.8%
N/R & A/R from related parties	1,463,306	1.8%
Net inventories	12,598,374	15.9%
Prepaid expenses & other current assets	<u>2,086,814</u>	2.6%
Total current assets	46,110,139	58.0%
Long term investments	19,788,312	24.9%
Fixed assets :		
Less : Accumulated depreciation	<u>(5,096,498)</u>	6.4%
Total fixed assets	12,590,711	15.8%
Other assets	973,754	1.2%
Total Assets	<u>\$ 79,462,916</u>	100.0%
Liabilities & stockholders' equity		
Liabilities		
Short term borrowings	6,045,056	7.6%
N/P & A/P	15,410,953	19.4%
N/P & A/P to related partie	3,851,404	4.8%
Bond payable	2,207,800	2.8%
Acurred exp. & other current liab.	<u>7,221,746</u>	9.1%
Total current liabilities	34,736,958	43.7%
Long term loan	398,347	0.5%
Bond payable	1,394,145	1.8%
Other liabilities	<u>206,446</u>	0.3%
Total liabilities	<u>36,735,896</u>	46.2%
Stockholder' equities		
Common stock	16,810,510	21.2%
Treasury stock	(79,920)	-0.1%
Capital surplus	13,291,435	16.7%
Legal reserve	1,764,452	2.2%
Retained earnings	10,185,673	12.8%
Translation adjustment	<u>754,870</u>	0.9%
Total stockholder' equities	<u>42,727,019</u>	53.8%

Total Liabilities & stockholders' equity	\$ 79,462,916	100.0%
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BenQ Corporation
Unaudited Consolidated Statements of Income
Three-month periods ended March 31, 2003 and 2002
(expressed in thousands of New Taiwan dollars except net income per share)

	<u>2003</u>	
	NT\$	%
Net sales	\$ 26,990,490	100.0%
Cost of goods sold	<u>(22,649,354)</u>	-83.9%
Gross profit	<u>4,341,135</u>	16.1%
Operating expense :	0	
S & M	(1,700,539)	-6.3%
G & A	(377,469)	-1.4%
R & D	<u>(508,249)</u>	-1.9%
Total Operating expense	<u>(2,586,257)</u>	-9.6%
Operating income (loss)	1,754,879	6.5%
Non-operating in net income(loss)	<u>(114,003)</u>	-0.4%
Earning Before income tax	1,640,876	6.1%
Income tax	(176,330)	-0.7%
Minority interest in net income (loss)	<u>0</u>	0.0%
Profit after tax	<u>\$ 1,464,546</u>	5.4%

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Enjoyment Matters