

# Qisda Corporation Investor Conference 2009 Q3 Results

October 20, 2009

Qisda

## Outline

- 2009 Q3 Financial Results
- 2009 Q3 Business Summary
- 2009 Q4 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.

## 2009 Q3 Financial Results

## 2009 Q3 Financial Highlight

- Revenue grew 13.8% QoQ
- Operating income NT\$ 434 M,  
4 consecutive profitable quarters since Q4 2008
- Net income NT\$ 841 M, including NT\$ 463 M from non-operating items

## Q3 Income Statement QoQ Analysis

Amount : NT\$ Billion

	2009 Q3		2009 Q2		QoQ
<b>Net Sales</b>	22.40	100.0%	19.68	100.0%	13.8%
COGS	(20.67)		(18.12)		
<b>Gross Margin</b>	1.73	7.7%	1.56	8.0%	-0.3 ppt
Opex	(1.30)	(5.8%)	(1.27)	(6.5%)	
<b>Operating Income</b>	0.43	1.9%	0.29	1.5%	+0.4 ppt
Net Non-op Items	0.46		(0.63)		
<b>Income before Tax</b>	0.89		(0.34)		
<b>Net Income</b>	0.84	3.8%	(0.44)	(2.2%)	+6.0 ppt
<b>EPS-Diluted (NT\$)</b>	0.44		(0.23)		
<b>Net Worth / Share (NT\$)</b>	11.65		10.60		

\* Core business unaudited consolidated result

\* EPS-Diluted was calculated based on total diluted weighted average outstanding shares ( 1,926 m shares )

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

## Q3 Balance Sheet Highlight

Amount: NT \$ Billion

	2009 Q3		2009 Q2		QoQ
Cash & Equivalent	4.24	5.9%	7.82	10.9%	(3.58)
Accounts Receivable	11.08	15.4%	9.13	12.7%	1.95
Inventory	7.90	11.0%	6.94	9.7%	0.96
L-T Investments	34.58	47.9%	32.79	45.7%	1.79
<b>Total Assets</b>	<b>72.14</b>	<b>100.0%</b>	<b>71.70</b>	<b>100.0%</b>	<b>0.44</b>
Fin. Debt	24.01	33.3%	27.90	38.9%	(3.89)
Accounts Payable	14.84	20.6%	13.14	18.3%	1.70
<b>Total Liabilities</b>	<b>49.70</b>	<b>68.9%</b>	<b>51.29</b>	<b>71.5%</b>	<b>(1.59)</b>
<b>Equity</b>	<b>22.44</b>	<b>31.1%</b>	<b>20.41</b>	<b>28.5%</b>	<b>2.03</b>

\* Core business unaudited consolidated result  
\* Fin. Debt included long term and short term financial debt

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## Q3 Key Financial Ratio

	2009 Q3	2009 Q2	QoQ
A/R Turnover	42 days	39 days	3 days
Inventory Turnover	36 days	35 days	1 days
A/P Turnover	67 days	68 days	-1 days
Cash Conversion Cycle	11 days	6 days	5 days
ROA	1.2%	(0.6%)	+1.8 ppt
ROE	3.9%	(2.1%)	+6.0 ppt
Current ratio <sup>(a)</sup>	69.2%	75.9%	-6.7 ppt
Fin. Debt / Total Assets	33.3%	38.9%	-5.6 ppt

(a) Concluded a new syndication in October. Current ratio has been improved to 81%.

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

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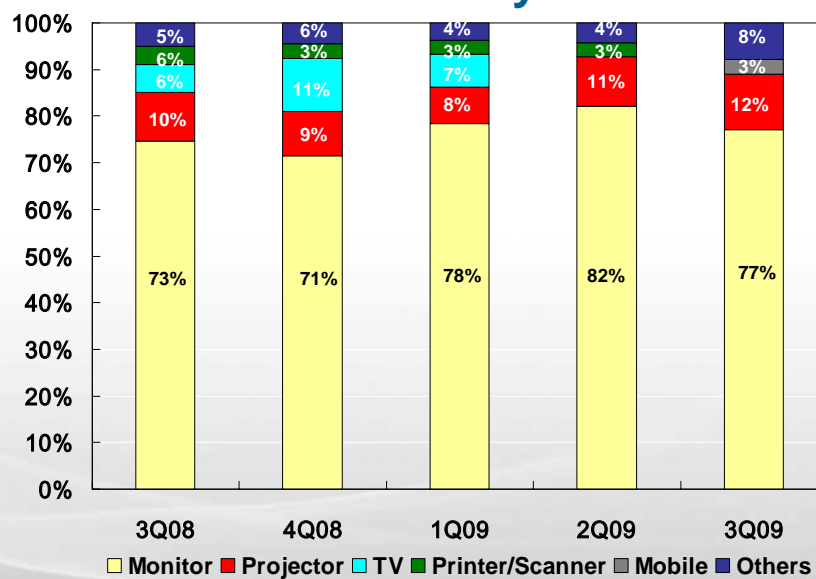
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# 2009 Q3 Business Summary

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## Revenue Breakdown by Product Line



Note : Others include those products with revenue share below 3%, such as professional & industrial displays, printer, scanner, digital photo frame, handheld infotainment device, automobile electronics, and others

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## 2009 Q3 Business Summary

- **Monitor :**

- Unit shipment increased by 1% QoQ to 3.85 M sets
- ASP increased by 6% QoQ

- **Projector :**

- Unit shipment increased by 30% QoQ to 194 K sets

- **Mobile :**

- Unit shipment increased by 158% QoQ

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## 2009 Q4 Guidance

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**Qisda Corporation.**  
**Unaudited Core Business Consolidated Balance Sheet**  
**Sep ,30, 2009**

UNIT : NT\$K

<b>Assets</b>			<b>Liabilities &amp; stockholders' equity</b>		
<b>Current assets :</b>			<b>Liabilities</b>		
Cash & cash equivalent	4,242,403	5.9%	Short term borrowings	4,754,425	6.6%
Net notes and accounts receivable	7,312,313	10.1%	N/P & A/P	13,572,355	18.8%
N/R & A/R from related parties	3,765,572	5.2%	N/P & A/P to related partie	1,263,395	1.8%
Net inventories	7,901,715	11.0%	Bond payable	9,695,880	13.4%
Prepaid expenses & other current assets	<u>3,783,332</u>	5.2%	Accrued exp. & other current liab.	<u>9,734,762</u>	13.5%
<b>Total current assets</b>	<b>27,005,334</b>	<b>37.4%</b>	<b>Total current liabilities</b>	<b>39,020,816</b>	<b>54.1%</b>
Long term investments	34,582,087	47.9%	Long term loan	9,489,440	13.2%
<b>Fixed assets :</b>	<b>16,402,758</b>	<b>22.7%</b>	Bond payable	111,384	0.2%
Less : Accumulated depreciation	<u>(7,431,569)</u>	10.3%	Other liabilities	<u>1,075,876</u>	1.5%
<b>Total fixed assets</b>	<b>8,971,189</b>	<b>12.4%</b>	<b>Total liabilities</b>	<b>49,697,517</b>	<b>68.9%</b>
Other assets	1,579,073	2.2%	<b>Stockholder' equities</b>		
			Common stock	19,282,176	26.7%
			Capital surplus	5,277,229	7.3%
			Legal reserve	0	0.0%
			Unrealized gain or loss on financial product	<u>(1,094,456)</u>	-1.5%
			Retained earnings	<u>(1,745,741)</u>	-2.4%
			Translation adjustment	802,235	1.1%
			Treasury stock	<u>(81,276)</u>	-0.1%
			<b>Total stockholder' equities</b>	<b>22,440,167</b>	<b>31.1%</b>
 <b>Total Assets</b>	 <b><u>\$ 72,137,684</u></b>	 <b>100.0%</b>	 <b>Total Liabilities &amp; stockholders' equity</b>	 <b><u>\$ 72,137,684</u></b>	 <b>100.0%</b>

**Qisda Corporation.**  
**Unaudited Core Business Consolidated Income Statement**  
**Jan~Sep' 2009**

UNIT : NT\$K

<b>Net sales</b>	\$ 60,100,474	100.0%
Cost of goods sold	<u>(55,557,093)</u>	-92.4%
<b>Gross profit</b>	<b>4,543,380</b>	<b>7.6%</b>
<b>Operating expense :</b>		
S & M	<u>(1,453,014)</u>	-2.4%
G & A	<u>(831,934)</u>	-1.4%
R & D	<u>(1,474,439)</u>	-2.5%
<b>Total Operating expense</b>	<b>(3,759,387)</b>	<b>-6.3%</b>
<b>Operating income (loss)</b>	<b>783,993</b>	<b>1.3%</b>
<b>Non-operating in net income(loss)</b>	<u>(2,353,123)</u>	-3.9%
<b>Earning Before income tax</b>	<b>(1,569,130)</b>	<b>-2.6%</b>
<b>Income tax</b>	<u>(176,611)</u>	-0.3%
<b>Profit after tax</b>	<b><u>(\$1,745,741)</u></b>	<b>-2.9%</b>

**Qisda Corporation**  
**Reviewed Non-consolidated Balance Sheets**  
**September 30, 2008 and 2009**  
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2008.9.30			2009.9.30			Liabilities and Stockholders' Equity	2008.9.30			2009.9.30		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$		NT\$	NT\$	US\$	NT\$	NT\$	US\$
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents	\$ 1,191,525	\$ 1,494,041	46,399				Short-term borrowings	\$ 2,995,009	\$ 193,200	6,000			
Financial assets at fair value through profit or loss— current	11,397	81,027	2,516				Financial liabilities at fair value through profit or loss— current	596,782	37,141	1,153			
Notes and accounts receivable, net	8,008,858	4,770,789	148,161				Notes and accounts payable	2,436,799	2,619,042	81,337			
Accounts receivables from related parties	8,418,728	7,332,886	227,729				Accounts payable to related parties	3,133,595	5,808,084	180,375			
Other receivables, net	1,210,863	1,300,100	40,376				Other payable to related parties	123,098	51,279	1,593			
Other receivable from related parties	303,721	1,887,061	58,604				Accrued expenses	4,160,933	4,144,910	128,724			
Other financial assets— current	522,779	-	-				Advance receipts	361,422	734,257	22,803			
Inventories	1,880,759	1,131,956	35,154				Bonds payable due within one year	3,490,066	1,600,000	49,689			
Prepaid expenses and other current assets	111,597	44,053	1,368				Long-term debt due within one year	2,400,000	7,600,000	236,025			
Deferred income tax assets— current	50,622	359,671	11,170				Deferred inter-company profits	152,006	364,489	11,320			
<b>Total current assets</b>	<b>21,710,849</b>	<b>18,401,584</b>	<b>571,477</b>				Other current liabilities	130,842	2,530,773	78,595			
							<b>Total current liabilities</b>	<b>19,980,552</b>	<b>25,683,175</b>	<b>797,614</b>			
<b>Long-term investments:</b>							<b>Long-term liabilities:</b>						
Equity method	38,227,139	33,756,648	1,048,343				Financial liabilities at fair value through profit or loss— non current	-	18,631	579			
Available-for-sale financial assets— noncurrent	2,223,691	3,266,470	101,443				Bonds payable	1,600,000	111,384	3,459			
Financial assets carried at cost— noncurrent	170,594	75,824	2,355				Long-term debt	16,600,000	9,000,000	279,503			
	<b>40,621,424</b>	<b>37,098,942</b>	<b>1,152,141</b>				<b>Total long-term liabilities</b>	<b>18,200,000</b>	<b>9,130,015</b>	<b>283,541</b>			
<b>Property, plant and equipment:</b>							<b>Other liabilities</b>						
Land	652,697	631,717	19,619				Deferred profits on sale-leaseback transaction	855,216	746,039	23,169			
Buildings	1,480,374	1,448,114	44,972				Other liabilities	153,629	605,418	18,802			
Machinery and equipment	891,464	875,393	27,186				<b>Total other liabilities</b>	<b>1,008,845</b>	<b>1,351,457</b>	<b>41,971</b>			
Furniture and fixtures	115,858	115,892	3,599				<b>Total liabilities</b>	<b>39,189,397</b>	<b>36,164,647</b>	<b>1,123,126</b>			
Miscellaneous equipment	51,533	46,900	1,457										
Prepayments for plant and equipment	35,467	-	-										
	<b>3,227,393</b>	<b>3,118,016</b>	<b>96,833</b>				<b>Stockholders' equity:</b>						
Less: accumulated depreciation	(1,385,789)	(1,460,722)	(45,364)				Common stock	19,282,176	19,282,176	598,825			
<b>Net property, plant and equipment</b>	<b>1,841,604</b>	<b>1,657,294</b>	<b>51,469</b>				Capital surplus:						
<b>Intangible assets</b>	<b>127,512</b>	<b>42,089</b>	<b>1,307</b>				Additional paid-in-capital in excess of the common stock's par value	2,738,580	1,196,757	37,166			
<b>Other assets:</b>							Capital surplus from long-term equity investments	4,048,334	4,080,473	126,723			
Assets for lease	126,401	178,427	5,541					<b>6,786,914</b>	<b>5,277,230</b>	<b>163,889</b>			
Idle Assets	104,324	104,324	3,240				Legal reserve	344,528	-	-			
Refundable deposits	95,228	92,380	2,869				Special reserve	175,173	-	-			
Deferred expenses	34,062	106,083	3,295				Retained earnings (accumulated deficit)	1,545,798	(1,745,741)	(54,216)			
Deferred income tax assets— noncurrent	1,155,160	818,579	25,422				Cumulative translation adjustment	820,999	802,235	24,914			
Prepaid pension cost	97,032	105,113	3,264				Unrealized loss on available-for-sale financial assets	(2,154,347)	(1,094,456)	(33,989)			
<b>Total other assets</b>	<b>1,612,207</b>	<b>1,404,906</b>	<b>43,631</b>				Treasury stock	(77,042)	(81,276)	(2,524)			
							<b>Total stockholders' equity</b>	<b>26,724,199</b>	<b>22,440,168</b>	<b>696,899</b>			
							<b>Commitments and contingencies</b>						
<b>Total assets</b>	<b>\$ 65,913,596</b>	<b>\$ 58,604,815</b>	<b>1,820,025</b>				<b>Total liabilities and stockholders' equity</b>	<b>\$ 65,913,596</b>	<b>\$ 58,604,815</b>	<b>1,820,025</b>			

(Note: Translation of the September 30, 2009, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of the Bank of Taiwan on September 30, 2009, of NT\$32.20 to US\$1 uniformly for all the financial statements accounts.)



Qisda Corporation

**Reviewed Non-consolidated Statements of Operations**  
**For the nine-month periods ended September 30, 2008 and 2009**  
 (expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2008 Q3		2009 Q3			
	NT\$		NT\$		US\$	
<b>Net sales</b>	\$ 60,504,245		\$ 37,696,496		1,170,699	
<b>Cost of goods sold</b>	(59,119,962)		(34,817,758)		(1,081,297)	
<b>Gross profit</b>	<u>1,384,283</u>		<u>2,878,738</u>		<u>89,402</u>	
<b>Change in unrealized inter-company profits</b>	180,959		(61,390)		(1,907)	
<b>Realized gross profit</b>	<u>1,565,242</u>		<u>2,817,348</u>		<u>87,495</u>	
<b>Operating expenses:</b>						
Selling	(951,724)		(630,123)		(19,569)	
Administrative	(491,578)		(385,900)		(11,984)	
Research and development	(1,804,712)		(1,306,381)		(40,571)	
	<u>(3,248,014)</u>		<u>(2,322,404)</u>		<u>(72,124)</u>	
<b>Operating income (loss)</b>	<u>(1,682,772)</u>		<u>494,944</u>		<u>15,371</u>	
<b>Non-operating income:</b>						
Interest income	21,100		22,924		712	
Investment income recorded under the equity method, net	2,607,019		-		-	
Dividend income	189,770		117,125		3,637	
Evaluation gain on financial instruments, net	240,128		43,811		1,361	
Gain on disposal of property, plant and equipment	2,828		2,269		70	
Gain on disposal of investments, net	647		23		1	
Others	137,649		107,769		3,347	
	<u>3,199,141</u>		<u>293,921</u>		<u>9,128</u>	
<b>Non-operating expenses:</b>						
Interest expense	(860,830)		(426,941)		(13,259)	
Foreign currency exchange loss, net	(179,684)		(149,910)		(4,656)	
Investment loss recorded under the equity method, net	-		(1,820,510)		(56,538)	
Other investment loss	-		(82,684)		(2,568)	
Others	(18,394)		(27,027)		(839)	
	<u>(1,058,908)</u>		<u>(2,507,072)</u>		<u>(77,860)</u>	
<b>Income (loss) before income tax</b>	<u>457,461</u>		<u>(1,718,207)</u>		<u>(53,361)</u>	
<b>Income tax expense</b>	-		(27,534)		(855)	
<b>Net income (loss)</b>	<u>\$457,461</u>		<u>(\$1,745,741)</u>		<u>(\$54,216)</u>	
<b>Earnings per share (expressed in New Taiwan dollars and US dollars):</b>	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Basic earnings per share	<u>0.25</u>	<u>0.25</u>	<u>(0.89)</u>	<u>(0.91)</u>	<u>(0.028)</u>	<u>(0.028)</u>
Diluted earnings per share	<u>0.25</u>	<u>0.25</u>				

Qisda Corporation

**Reviewed Non-consolidated Statements of Cash Flows**  
**For the nine-month periods ended September 30, 2008 and 2009**  
**(expressed in thousands of New Taiwan dollars and US Dollars)**

	2008 Q3	2009 Q3	
	NT\$	NT\$	US\$
<b>Cash flows from operating activities:</b>			
Net income (loss)	457,461	(1,745,741)	(\$54,216)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	132,431	105,213	3,267
Amortization	272,543	50,160	1,558
Amortization of discount on convertible bond	66,076	7,690	239
Change in provision for bad debt	(19,034)	(1,691)	(53)
Change in provision for inventory obsolescence	(405)	(27,559)	(856)
Investment income (loss) recorded under the equity method, net	(2,607,019)	1,820,510	56,538
Cash dividends received from investments recorded under the equity method	1,974,757	404,261	12,555
Loss on redeemable of bonds	-	10,511	327
Impairment loss on financial assets carried at cost	-	82,684	2,568
Gain on disposal of investments recorded under the equity method	(647)	(23)	(1)
Gain on disposal of property, plant and equipment, net	(2,828)	(2,269)	(70)
Amortization of deferred profits on sale-leaseback transaction	(81,882)	(81,883)	(2,543)
Amortization of bond issuance costs	10,131	15,349	477
Differences in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	(240,128)	(43,811)	(1,361)
Notes and accounts receivable	(2,095,643)	(199,844)	(6,206)
Receivables from related parties	8,907,913	(338,325)	(10,507)
Other receivables	758,973	(96,931)	(3,010)
Inventories	1,854,792	329,609	10,236
Other financial assets – current	(19,728)	492,900	15,307
Prepaid expenses and other current assets	8,484	65,031	2,020
Deferred income tax assets	-	27,534	855
Prepaid pension	(10,942)	(4,546)	(141)
Notes and accounts payable	(305,834)	1,471,420	45,696
Payables to related parties	(4,698,084)	4,472,871	138,909
Deferred inter-company profits	(180,959)	61,390	1,907
Accrued expenses and other current liabilities	(865,769)	3,259,707	101,233
Other liabilities	(14,329)	(7,483)	(232)
<b>Net cash provided by operating activities</b>	<b>3,300,330</b>	<b>10,126,734</b>	<b>314,496</b>
<b>Cash flows from investing activities:</b>			
Increase in receivables from related parties	-	(1,616,760)	(50,210)
Addition to long-term equity investments	(307,270)	(34,100)	(1,059)
Additions to property, plant and equipment	(82,802)	(57,767)	(1,794)
Proceeds from disposal of idle assets	-	742	23
Proceeds from disposal of property, plant and equipment	34,067	40,774	1,266
Increase in refundable deposits and deferred assets	(71,034)	(107,345)	(3,334)
Proceeds from investees' capital reduction	6,773	623	19
<b>Net cash used in investing activities</b>	<b>(420,266)</b>	<b>(1,773,833)</b>	<b>(55,089)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(5,699,715)	(8,760,340)	(272,060)
Decrease in long-term debt	-	(2,400,000)	(74,534)
Redemption of bonds	(2,200,000)	(3,622,400)	(112,497)
Issuance of common stock for cash	5,000,000	-	-
<b>Net cash used in financing activities</b>	<b>(2,899,715)</b>	<b>(14,782,740)</b>	<b>(459,091)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,651)</b>	<b>(6,429,839)</b>	<b>(199,684)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,211,176</b>	<b>7,923,880</b>	<b>246,083</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$1,191,525</b>	<b>1,494,041</b>	<b>46,399</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for:			
Interest	\$916,776	471,520	14,643
Income taxes	\$5,554	1,811	56
<b>Supplemental disclosure of non-cash investing and financial activities:</b>			
Changes in unrealized loss on available-for-sale financial assets	(\$1,036,446)	1,645,753	51,110
Adjustments of net equity of investee companies	(\$1,317,750)	37,659	1,170
Increase (decrease) in cumulative translation adjustment	\$133,229	(250,081)	(7,766)