

Qisda Corporation Investor Conference : 2010 Q3 Results

October 28, 2010

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Qisda

Outline

- 2010 Q3 Financial Results
- 2010 Q3 Business Summary
- 2010 Q4 Guidance

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2 **Qisda**

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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3 

2010 Q3 Financial Results

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2010 Q3 Financial Highlights

- 2010 Q3
 - Revenue NT\$ 22.9 B, grew 1.5% QoQ
 - Positive and improved operating income NT\$ 0.48 B due to better gross margin and operating expense
 - Net income NT\$ 0.44 B, EPS NT\$ 0.23
- 2010 YTD
 - Revenue NT\$ 65.2 B
 - Operating income NT\$ 0.92 B
 - Net income NT\$ 3.1 B, EPS NT\$ 1.60

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5 

Q3 Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2010 Q3		2010 Q2		QoQ
Net Sales	22.89	100.0%	22.54	100.0%	+1.5%
COGS	(21.05)		(20.79)		
Gross Margin	1.83	8.0%	1.76	7.8%	+0.2 ppt
Opex	(1.36)	(5.9%)	(1.47)	(6.5%)	
Operating Income	0.48	2.1%	0.28	1.3%	+0.8 ppt
Net Non-op Items	0.03		0.90		
Income before Tax	0.50		1.18		
Net Income	0.44	1.9%	0.90	4.0%	-2.1 ppt
EPS-Diluted (NT\$)	0.23		0.47		
Net Worth / Share (NT\$)	13.20		13.24		

* Unaudited results of consolidated core business

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

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

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6 

Q3 Balance Sheet Highlights

Amount: NT \$ Billion

	2010 Q3		2010 Q2		QoQ
Cash & Equivalent	5.11	6.6%	4.28	5.7%	0.83
Accounts Receivable	12.96	16.8%	11.52	15.2%	1.44
Inventory	10.27	13.3%	10.23	13.5%	0.04
L-T Investments	35.05	45.4%	35.60	47.1%	(0.55)
Total Assets	77.26	100.0%	75.55	100.0%	1.71
Fin. Debt	24.60	31.8%	22.69	30.0%	1.91
Accounts Payable	15.59	20.2%	15.83	21.0%	(0.24)
Total Liabilities	51.84	67.1%	50.05	66.3%	1.79
Equity	25.42	32.9%	25.49	33.7%	(0.07)

* Unaudited results of consolidated core business
* Fin. debt included long term and short term financial debts

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7 

Q3 Key Financial Ratios

	2010 Q3	2010 Q2	QoQ
A/R Turnover	48 days	44 days	+4 days
Inventory Turnover	44 days	47 days	-3 days
A/P Turnover	66 days	71 days	-5 days
Cash Conversion Cycle	26 days	20 days	+6 days
ROA	0.6%	1.2%	-0.6 ppt
ROE	1.7%	3.6%	-1.9 ppt
Current ratio	103.1%	95.9%	+7.2 ppt
Fin. Debt / Total Assets	31.8%	30.0%	+1.8 ppt

* Unaudited results of consolidated core business
* ROA and ROE were calculated on a quarterly basis

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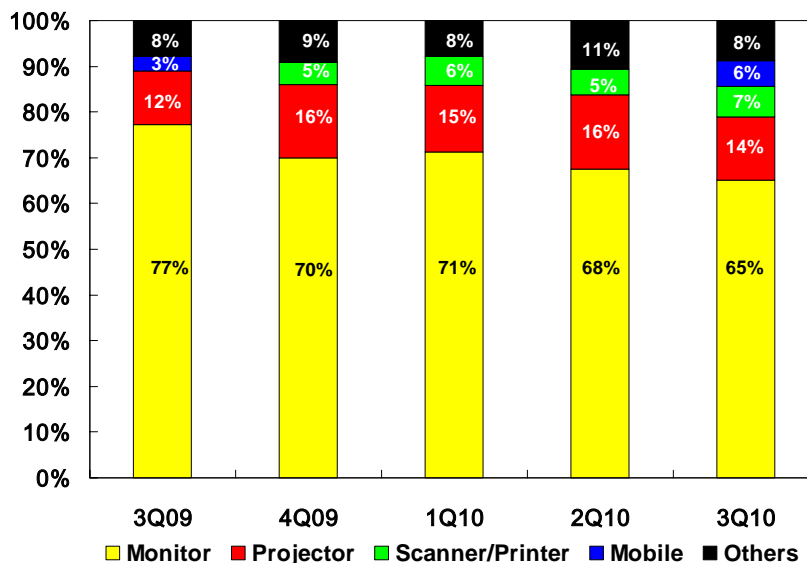
8 

2010 Q3 Business Summary

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Revenue Breakdown by Product Line



Note : "Others" includes products with a revenue share below 3%, such as professional & industrial displays, digital photo frame, handheld infotainment devices, automobile electronics, and others

10 Qisda

2010 Q3 Business Summary

- **Monitor :**
 - Unit shipment increased by 3.8% QoQ to 3.75M sets
- **Projector :**
 - Unit shipment decreased by 18% QoQ to 263K sets
- **Scanner/Printer :**
 - Color laser printer (CLP) unit shipment increased by 23% QoQ
- **Mobile :**
 - New mobile device unit shipment increased by 200%. Revenue increased to 6% of total.
- **Others :**
 - eBook reader started to ramp up

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11 **Qisda**



Qisda Corporation.
Unaudited Core Business Consolidated Balance Sheet
Sep ,30, 2010

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	3,726,289	4.8%	Short- term borrowings	4,318,856	5.6%
Financial assets at fair value through profit or loss - current	182,115	0.2%	Financial liabilities at fair value through profit or loss - current	113,621	0.1%
Notes and accounts receivable,net	8,803,712	11.4%	N/P & A/P	14,173,207	18.3%
N/R & A/R from related parties	4,158,399	5.4%	N/P & A/P to related parties	1,413,670	1.8%
Other receivables, net	751,033	1.0%	Other payable to related parties	21,256	0.0%
Other receivable from related parties	330,400	0.4%	Bonds payable and long-term debt due within one year	989,000	1.3%
Other financial assets - current	1,384,162	1.8%	Accrued exp. & other current liab.	10,562,619	13.7%
Net inventories	10,273,013	13.3%	Total current liabilities	<u>31,592,229</u>	40.9%
Prepaid expenses and other current assets	2,668,316	3.5%	Long term loan	19,177,500	24.8%
Deferred income tax assets - current	278,664	0.4%	Bonds payable	115,511	0.1%
Total current assets	<u>32,556,102</u>	42.1%	Other liabilities	956,639	1.2%
Long-term investments	35,051,772	45.4%	Total liabilities	<u>51,841,880</u>	67.1%
Fixed assets :	14,957,608	19.4%	Stockholders' equity		
Less : Accumulated depreciation and	<u>(8,121,315)</u>	10.5%	Common stock	19,282,176	25.0%
Total fixed assets	6,836,293	8.8%	Capital surplus	3,447,106	4.5%
Other assets	2,814,740	3.6%	Legal reserve	0	0.0%
			Unrealized gain or loss on available-for-sale financial assets	(467,883)	-0.6%
			Retained earnings	2,461,217	3.2%
			Cumulative translation adjustment	774,889	1.0%
			Treasury stock	(80,478)	-0.1%
			Total stockholders' equity	<u>25,417,028</u>	32.9%
Total Assets	<u>\$ 77,258,907</u>	100.0%	Total Liabilities and stockholders' equity	<u>\$ 77,258,907</u>	100.0%

Qisda Corporation.
Unaudited Core Business Consolidated Income Statement
Jan~Sep' 2010

UNIT : NT\$K

Net sales	\$ 65,230,409	100.0%
Cost of goods sold	(60,138,617)	-92.2%
Gross profit	<u>5,091,792</u>	7.8%
Operating expense :		
S & M	(1,507,204)	-2.3%
G & A	(691,717)	-1.1%
R & D	(1,974,880)	-3.0%
Total Operating expense	<u>(4,173,800)</u>	-6.4%
Operating income (loss)	917,992	1.4%
Non-operating income (loss)	2,664,870	4.1%
Earning before income tax	3,582,862	5.5%
Income tax expense	(510,629)	-0.8%
Profit after tax	<u>\$3,072,233</u>	4.7%

Qisda Corporation
Reviewed Non-consolidated Balance Sheets
September 30, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2009.9.30			2010.9.30			Liabilities and Stockholders' Equity	2009.9.30			2010.9.30		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$		NT\$	NT\$	US\$	NT\$	NT\$	US\$
Current assets:							Current liabilities:						
Cash and cash equivalents	\$ 1,494,041	\$ 698,122	22,283				Short-term borrowings	\$ 193,200	\$ 250,640	8,000			
Financial assets at fair value through profit or loss — current	106,994	182,115	5,813				Financial liabilities at fair value through profit or loss — current	63,108	113,621	3,627			
Notes and accounts receivable, net	4,770,789	5,438,469	173,587				Notes and accounts payable	2,619,042	2,264,694	72,285			
Accounts receivables from related parties	7,332,886	5,787,242	184,719				Accounts payable to related parties	5,808,084	1,524,803	48,669			
Other receivables, net	1,300,100	1,145,387	36,559				Other payable to related parties	51,279	33,598	1,072			
Other receivable from related parties	1,887,061	2,167,878	69,195				Income tax payable	-	132,365	4,225			
Inventories	1,131,956	1,785,045	56,976				Accrued expenses	4,144,910	4,759,167	151,904			
Prepaid expenses and other current assets	44,053	41,697	1,331				Advance receipts	734,257	632,696	20,195			
Deferred income tax assets — current	359,671	199,620	6,371				Bonds payable due within one year	1,600,000	-	-			
Total current assets	18,427,551	17,445,575	556,834				Long-term debt due within one year	7,600,000	989,000	31,567			
							Deferred inter-company profits	364,489	53,150	1,696			
Long-term investments:							Other current liabilities	2,530,773	2,576,118	82,225			
Equity method	33,756,648	34,721,102	1,108,238				Total current liabilities	25,709,142	13,329,852	425,465			
Available-for-sale financial assets — noncurrent	3,266,470	3,656,000	116,693										
Financial assets carried at cost — noncurrent	75,824	238,571	7,615				Long-term liabilities:						
	37,098,942	38,615,673	1,232,546				Financial liabilities at fair value through profit or loss — non current	18,631	8,919	285			
Property, plant and equipment:							Bonds payable	111,384	115,511	3,687			
Land	631,717	624,587	19,936				Long-term debt	9,000,000	19,177,500	612,113			
Buildings	1,448,114	1,469,222	46,895				Total long-term liabilities	9,130,015	19,301,930	616,085			
Machinery and equipment	875,393	856,717	27,345										
Furniture and fixtures	115,892	117,720	3,757				Other liabilities						
Miscellaneous equipment	46,900	50,506	1,612				Refundable deposits	2,070	2,530	81			
Prepayments for plant and equipment	-	4,453	142				Deferred profits on sale-leaseback transaction	746,039	636,863	20,328			
	3,118,016	3,123,205	99,687				Other liabilities	603,348	430,162	13,730			
Less: accumulated depreciation	(1,460,722)	(1,550,584)	(49,492)				Total other liabilities	1,351,457	1,069,555	34,139			
Net property, plant and equipment	1,657,294	1,572,621	50,195				Total liabilities	36,190,614	33,701,337	1,075,689			
Intangible assets	42,089	33,698	1,076										
							Stockholders' equity:						
Other assets:							Common stock	19,282,176	19,282,176	615,454			
Assets for lease	178,427	169,686	5,416				Capital surplus:						
Idle Assets	104,324	104,324	3,330				Additional paid-in-capital in excess of the common stock's par value	1,196,757	-	-			
Refundable deposits	92,380	94,285	3,009				Capital surplus from long-term equity investments	4,080,473	3,447,106	110,026			
Deferred expenses	106,083	131,445	4,195										
Deferred income tax assets — noncurrent	818,579	835,708	26,674				Retained earnings (accumulated deficit)	(1,745,741)	2,461,217	78,558			
Prepaid pension cost	105,113	115,349	3,682				Cumulative translation adjustment	802,235	774,889	24,733			
Total other assets	1,404,906	1,450,797	46,306				Unrealized loss on available-for-sale financial assets	(1,094,456)	(467,883)	(14,934)			
							Treasury stock	(81,276)	(80,478)	(2,569)			
							Total stockholders' equity	22,440,168	25,417,027	811,268			
Total assets	\$ 58,630,782	\$ 59,118,364	1,886,957				Commitments and contingencies						
							Total liabilities and stockholders' equity	\$ 58,630,782	\$ 59,118,364	1,886,957			

(Note: Translation of the September 30, 2010, 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, 2010, of NT\$31.33 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, 2009 and 2010
 (expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2009 Q3	2010Q3	US\$
	NT\$	NT\$	
Net sales	\$ 37,696,496	\$ 44,350,403	1,415,589
Cost of goods sold	(34,817,758)	(41,514,440)	(1,325,070)
Gross profit	<u>2,878,738</u>	<u>2,835,963</u>	<u>90,519</u>
Change in unrealized inter-company profits	(61,390)	107,139	3,420
Realized gross profit	<u>2,817,348</u>	<u>2,943,102</u>	<u>93,939</u>
Operating expenses:			
Selling	(630,123)	(770,357)	(24,588)
Administrative	(385,900)	(331,458)	(10,580)
Research and development	(1,306,381)	(1,782,618)	(56,898)
	<u>(2,322,404)</u>	<u>(2,884,433)</u>	<u>(92,066)</u>
Operating income (loss)	<u>494,944</u>	<u>58,669</u>	<u>1,873</u>
Non-operating income:			
Interest income	22,924	24,032	767
Investment income recorded under the equity method, net	-	2,523,149	80,535
Dividend income	117,125	163,641	5,223
Evaluation gain on financial instruments, net	43,811	67,363	2,150
Gain on disposal of investments, net	23	1,101,533	35,159
Others	110,038	71,382	2,278
	<u>293,921</u>	<u>3,951,100</u>	<u>126,112</u>
Non-operating expenses:			
Interest expense	(426,941)	(418,068)	(13,344)
Investment loss recorded under the equity method, net	(1,820,510)	-	-
Other investment loss	(82,684)	(8,942)	(285)
Foreign currency exchange loss, net	(149,910)	(87,337)	(2,788)
Others	(27,027)	(111,935)	(3,573)
	<u>(2,507,072)</u>	<u>(626,282)</u>	<u>(19,990)</u>
Income (loss) before income tax	<u>(1,718,207)</u>	<u>3,383,487</u>	<u>107,995</u>
Income tax expense	(27,534)	(311,254)	(9,935)
Net income (loss)	<u>(\$1,745,741)</u>	<u>\$3,072,233</u>	<u>98,060</u>
Earnings per share (expressed in New Taiwan dollars and US dollars):			
Basic earnings per share	<u>(0.91)</u>	<u>1.60</u>	<u>0.051</u>
Diluted earnings per share	<u>(0.91)</u>	<u>1.58</u>	<u>0.050</u>

Qisda Corporation

Reviewed Non-consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US Dollars)

	2009 Q3			2010 Q3		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
Cash flows from operating activities:						
Net income (loss)	(1,745,741)	3,072,233	\$98,060			
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation	105,213	86,988	2,777			
Amortization	50,160	36,942	1,179			
Change in provision for bad debt	(1,691)	66,296	2,116			
Amortization of bond issuance costs and discount on convertible bond	23,039	29,355	937			
Change in provision for inventory obsolescence	(27,559)	63,368	2,023			
Investment loss (income) recorded under the equity method, net	1,820,510	(2,523,149)	(80,535)			
Cash dividends received from investments recorded under the equity method	404,261	93,283	2,977			
Gain on disposal of property, plant and equipment, net	(2,269)	(465)	(15)			
Gain on disposal of investments	(23)	(1,101,533)	(35,159)			
Impairment loss on financial assets carried at cost	82,684	8,942	285			
Loss on redemption of bonds	10,511	-	-			
Amortization of deferred profits on sale-leaseback transaction	(81,883)	(81,882)	(2,614)			
Differences in accounts in the accompanying balance sheets:						
Financial assets and liabilities at fair value through profit or loss	(43,811)	(67,363)	(2,150)			
Notes and accounts receivable	(199,844)	(3,288,071)	(104,949)			
Receivables from related parties	(338,325)	(13,997)	(447)			
Other receivables	(236,435)	395,830	12,634			
Other receivables from related parties	139,504	30,674	979			
Inventories	329,609	(543,492)	(17,347)			
Prepaid expenses and other current assets	65,031	2,140	68			
Other financial assets—current	492,900	-	-			
Deferred income tax assets	27,534	142,921	4,562			
Prepaid pension	(4,546)	(9,401)	(300)			
Notes and accounts payable	1,471,420	408,260	13,031			
Payables to related parties	4,577,714	(1,325,849)	(42,319)			
Income tax payable	-	132,365	4,225			
Accrued expenses and other current liabilities	3,259,707	233,631	7,457			
Other payables to related parties	(104,843)	(16,131)	(515)			
Advance receipts	-	(215,716)	(6,885)			
Deferred inter-company profits	61,390	(107,139)	(3,420)			
Other liabilities	(7,483)	(2,071)	(66)			
Net cash provided by (use in) operating activities	10,126,734	(4,493,031)	(143,411)			
Cash flows from investing activities:						
Addition to long-term equity investments	(34,100)	(194,914)	(6,221)			
Proceeds from disposal of investments	-	2,247,235	71,728			
Proceeds from investees' capital reduction	623	276,592	8,828			
Additions to property, plant and equipment	(57,767)	(24,836)	(793)			
Proceeds from disposal of property, plant and equipment	40,774	654	21			
Proceeds from disposal of idle assets	742	-	-			
Increase in refundable deposits and deferred assets	(107,345)	(59,217)	(1,890)			
Increase in receivables from related parties	(1,616,760)	(423,175)	(13,507)			
Net cash provided by (use in) investing activities	(1,773,833)	1,822,339	58,166			
Cash flows from financing activities:						
Decrease in short-term borrowings	(8,760,340)	(774,320)	(24,715)			
Decrease in bonds	-	(1,600,000)	(51,069)			
Redemption of bonds	(3,622,400)	-	-			
Increase in long-term debt	-	10,566,500	337,265			
Decrease in long-term debt	(2,400,000)	(5,600,000)	(178,742)			
Increase in refundable deposits	-	2,530	81			
Net cash provided by (use in) financing activities	(14,782,740)	2,594,710	82,820			
Net decrease in cash and cash equivalents	(6,429,839)	(75,982)	(2,425)			
Cash and cash equivalents at beginning of period	7,923,880	774,104	24,708			
Cash and cash equivalents at end of period	1,494,041	698,122	22,283			
Supplemental disclosure of cash flow information:						
Cash paid during the period for:						
Interest	471,520	434,037	13,854			
Income taxes	1,811	491	16			
Supplemental disclosure of non-cash investing and financial activities:						
Decrease in cumulative translation adjustment	(250,081)	(37,582)	(1,200)			
Adjustments of net equity of investee companies	37,659	(237,104)	(7,568)			
Changes in unrealized loss on available-for-sale financial assets	1,645,753	(153,392)	(4,896)			