

2003 2nd Quarter Results

2003年第二季法人說明會

August 18, 2003

BenQ

Agenda

- Welcome and Introduction
- 2Q '03 Financial Results
- Q&A



BenQ

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.

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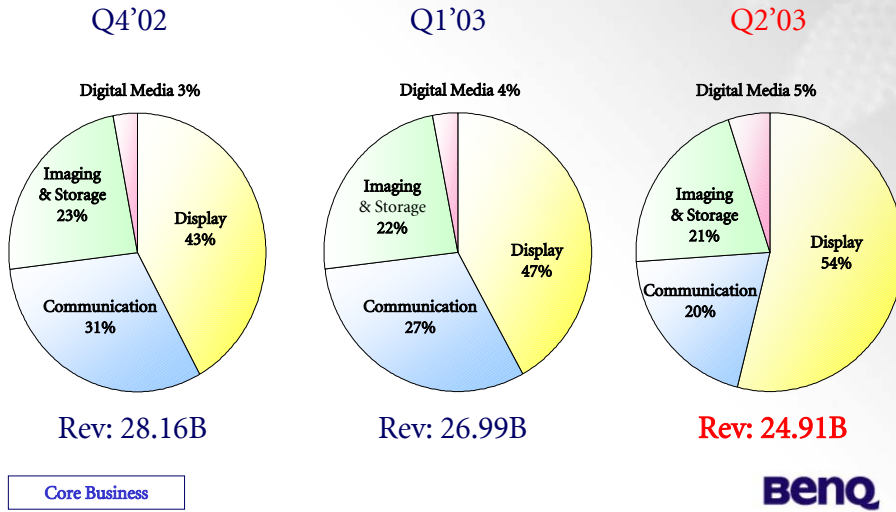
Sales and Profit

(Amount: NT \$ Billion)	Q2 '03		Q1 '03	
Net Sales	24.91	100.0%	26.99	100.0%
Gross Profit	3.65	14.7%	4.34	16.1%
Operating expenses	(2.55)	(10.2%)	(2.59)	(9.6%)
Operating Income	1.10	4.4%	1.75	6.5%
Non-Operating Items	0.59	2.4%	(0.11)	(0.4%)
Income Before Tax	1.69	6.8%	1.64	6.1%
Net Income	1.45	5.8%	1.46	5.4%
EPS	0.70		0.71	

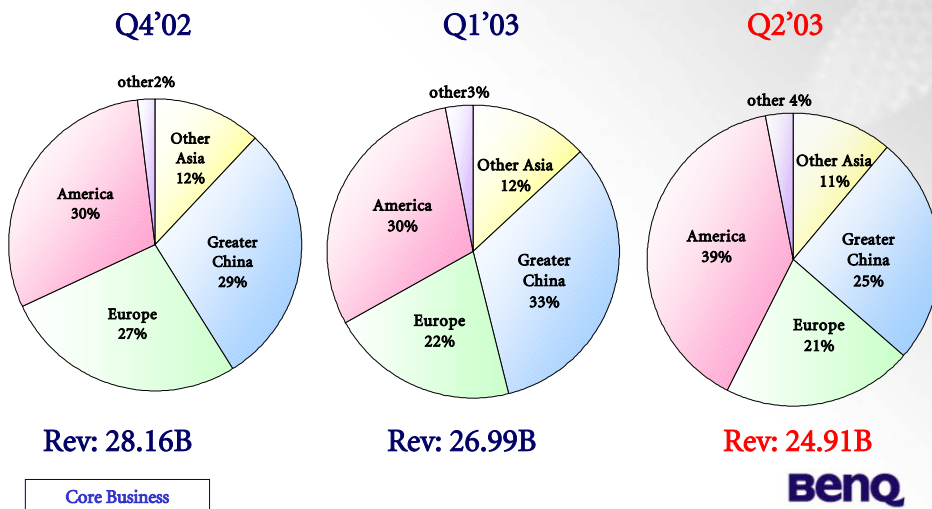
Core Business

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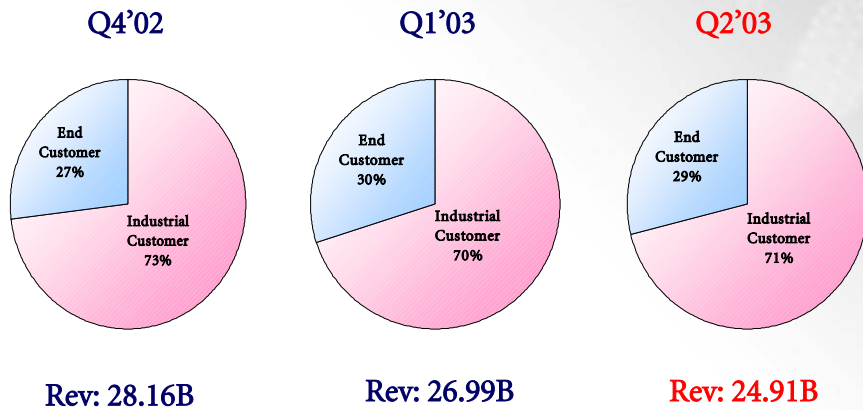
Sales Composition by Product



Sales Breakdown by Geography



Sales Breakdown by Customer Type



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Non-Operating Items & Investment

(Amount: NT \$ Million)	Q2 '03	Q1 '03
Net Interest Inc. / (Exp)	(49)	(66)
Disposal of Securities	62	76
Other Non- Ops	301(*)	5
Investment Inc. / (Loss)	281	(125)
AUO	419	28
Darfon	(100)	(62)
Daxon	25	35
Others	(63)	(127)

* Include 169M dividend income and 99M FX gain

Core Business

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Key Balance Sheet Items

(Amount: NT \$ Billion)	Q2 '03	Q1 '03	Q o Q
Cash & Marketable	10.47	14.99	↓ 30%
Accounts Receivable	15.23	16.43	↓ 7%
Inventories	13.91	12.60	↑ 10%
L-T Investments	19.98	19.78	↑ 1%
Total Assets	75.42	79.46	↓ 5%
Liabilities	34.09	36.74	↓ 0%
(Debts)	8.04	10.04	↓ 7%
Equities	41.33	42.72	↓ 3%

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Key Financial Ratios

	Q2 '03	Q1 '03
A/R Turnover	57 days	52 days
Inventory Turnover	50 days	40 days
ROA*	7.48%	7.54%
ROE*	13.80%	13.86%
Total Debt / Total Assets	10.66%	12.64%

* Annualized

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2003 Q3 Guidance

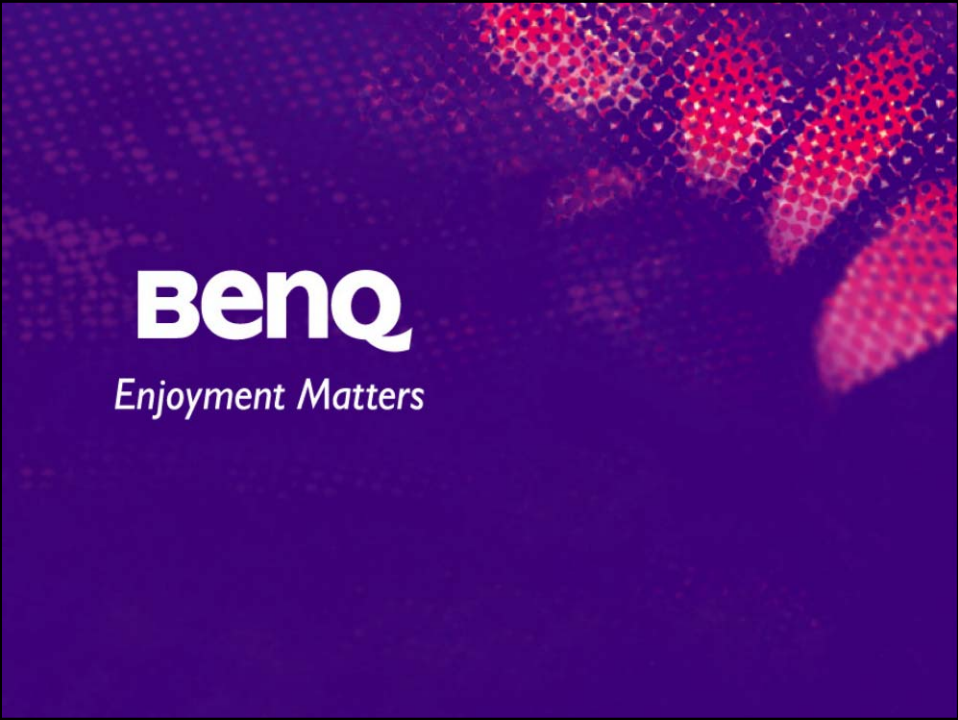
- Global IT spending start to pick up.
- Revenue to grow 25% to 30% QoQ, driven by strong growth in LCD Displays and Optical Drives.
- Margin for Q3 will kept flat with potential to slightly up.
- Better non-operating income due to higher contribution from subsidiaries.

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2003 Q3 Guidance

- LCD monitor demand still strong, panel supply will be tight.
- Handset momentum is expected to recover in Q4, will be more aggressive to expand product mix. Launch 6 new models in Q3.
- Projector monthly run rate breaks 10,000 units.
- Start shipping LCD TVs to industrial customers.
- Begin DVD-Recorder module business from July. 4X DVD+RW gained PC company customers. Will launch 8X DVD+RW in September.
- Combo drive is ready in Q3. Slim Combo and Slim DVD+RW will be available in Q4.

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BenQ Corporation
Unaudited Non-consolidated Balance Sheets (Parent Company Only)
June 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

Assets	<u>2003.06.30</u>		<u>2002.06.30</u>	
	NTS	%	NTS	%
Current assets:				
Cash and cash equivalents	116,149	-	280,710	-
Short-term investments	8,752,059	13	7,920,573	13
Notes and accounts receivable	5,111,043	7	7,456,786	12
Receivables from related parties	16,212,727	24	8,355,281	14
Other financial assets	267,128	-	29,584	-
Inventories	4,032,242	6	4,839,089	8
Prepaid expenses and other current assets	227,487	-	199,605	-
Deferred income tax assets-current	<u>603,583</u>	<u>1</u>	<u>764,758</u>	<u>1</u>
Total current assets	<u>35,322,418</u>	<u>51</u>	<u>29,846,386</u>	<u>49</u>
Long-term equity investments:				
Equity method	24,175,723	35	22,093,794	35
Cost or lower-of-cost-or-market method	<u>2,426,689</u>	<u>4</u>	<u>2,459,785</u>	<u>4</u>
	<u>26,602,412</u>	<u>39</u>	<u>24,553,579</u>	<u>39</u>
Property, plant and equipment:				
Land	2,265,826	3	2,040,680	3
Buildings	4,187,414	7	3,637,445	6
Machinery and equipment	2,251,405	3	2,381,006	4
Furniture and fixtures	121,663	-	104,187	-
Miscellaneous equipment	69,391	-	56,410	-
Prepayments for plant and equipment	<u>178,880</u>	<u>-</u>	<u>18,404</u>	<u>-</u>
	9,074,579	13	8,238,132	13
Less: accumulated depreciation	<u>(1,911,708)</u>	<u>(3)</u>	<u>(1,515,121)</u>	<u>(2)</u>
Net property, plant and equipment	<u>7,162,871</u>	<u>10</u>	<u>6,723,011</u>	<u>11</u>
Assets for sale	-	-	674,566	1
Refundable deposits	6,747	-	11,873	-
Deferred assets	134,553	-	130,779	-
Deferred income tax assets-noncurrent	<u>48,956</u>	<u>-</u>	<u>547,434</u>	<u>1</u>
Total other assets	<u>190,256</u>	<u>-</u>	<u>1,364,652</u>	<u>2</u>
Total assets	<u>69,277,957</u>	<u>100</u>	<u>62,487,628</u>	<u>100</u>

BenQ Corporation
Unaudited Non-consolidated Balance Sheets (Parent Company Only)
June 30, 2003 and 2002
(expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity	<u>2003.06.30</u> NT\$	%	<u>2002.06.30</u> NT\$	%
Current liabilities:				
Short-term borrowings	482,752	1	-	-
Current portion of long-term debt	20,095	-	40,190	-
Notes and accounts payable	3,631,326	5	6,526,024	11
Payables to related parties	13,017,184	19	7,691,995	12
Bonds payable	2,201,700	3	207,800	-
Accrued expenses and other current liabilities	6,387,770	10	5,157,970	8
Accrued income tax	95,491	-	652,102	1
Deferred intercompany profit	<u>185,026</u>	-	<u>123,283</u>	-
Total current liabilities	<u>26,021,344</u>	<u>38</u>	<u>20,399,364</u>	<u>32</u>
Long-term liabilities:				
Bonds payable	1,378,544	2	4,520,659	7
Long-term debt, excluding current portion	-	-	<u>20,095</u>	-
	<u>1,378,544</u>	<u>2</u>	<u>4,540,754</u>	<u>7</u>
Other liabilities				
	<u>543,983</u>	<u>1</u>	<u>332,048</u>	<u>1</u>
Total liabilities	<u>27,943,871</u>	<u>41</u>	<u>25,272,166</u>	<u>40</u>
Stockholders' equity:				
Common stock	20,671,612	29	16,555,963	26
Capital surplus	13,191,348	19	12,514,734	20
Legal reserve	2,504,415	4	1,764,452	3
Retained earnings	4,341,528	6	5,891,175	10
Translation adjustment	704,972	1	567,979	1
Treasury stock	<u>(79,789)</u>	-	<u>(78,841)</u>	-
Total stockholders' equity	<u>41,334,086</u>	<u>59</u>	<u>37,215,462</u>	<u>60</u>
Total liabilities and stockholders' equity	<u>69,277,957</u>	<u>100</u>	<u>62,487,628</u>	<u>100</u>

BenQ Corporation
Unaudited Non-consolidated Statements of Income (Parent Company Only)
Six-month periods ended June 30, 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	46,355,719	100	46,071,087	100
Cost of goods sold	<u>(41,236,853)</u>	<u>(89)</u>	<u>(39,935,184)</u>	<u>(87)</u>
	<u>5,118,866</u>	<u>11</u>	<u>6,135,903</u>	<u>13</u>
Change in unrealized inter-company profits	<u>(7,818)</u>	-	<u>140,826</u>	-
Gross profit	<u>5,111,048</u>	<u>11</u>	<u>6,276,729</u>	<u>13</u>
Operating expenses:				
Selling	(1,452,901)	(3)	(1,611,552)	(3)
Administrative	(432,055)	(1)	(373,677)	(1)
Research and development	<u>(1,147,386)</u>	<u>(3)</u>	<u>(823,181)</u>	<u>(2)</u>
	<u>(3,032,342)</u>	<u>(7)</u>	<u>(2,808,410)</u>	<u>(6)</u>
Operating income	<u>2,078,706</u>	<u>4</u>	<u>3,468,319</u>	<u>7</u>
Non-operating income:				
Interest income	11,349	-	16,018	-
Investment income, net	822,814	2	1,036,548	3
Dividend income	168,822	1	126,699	-
Gain on disposal of property, plant and equipment	952	-	200	-
Gain on disposal of investments, net	138,168	-	579,170	1
Foreign exchange gain, net	123,153	-	40,303	-
Other	<u>63,145</u>	<u>=</u>	<u>35,140</u>	<u>=</u>
	<u>1,328,403</u>	<u>3</u>	<u>1,834,078</u>	<u>4</u>
Non-operating expense:				
Interest expense	(88,398)	-	(165,889)	-
Loss on disposal of property, plant and equipment	(21,253)	-	(4,871)	-
Other	<u>(8,013)</u>	<u>=</u>	<u>(15,414)</u>	<u>=</u>
	<u>(117,664)</u>	<u>=</u>	<u>(186,174)</u>	<u>=</u>
Net income before income tax expense	3,289,445	7	5,116,223	11
Income tax expense	<u>(379,805)</u>	<u>(1)</u>	<u>(546,545)</u>	<u>(1)</u>
Net income	<u>2,909,640</u>	<u>6</u>	<u>4,569,678</u>	<u>10</u>
Earnings per share				
Basic earnings per share	<u>1.41</u>		<u>2.33</u>	
Diluted earnings per share	<u>1.38</u>		<u>2.23</u>	

BenQ Corporation
Unaudited Non-Consolidated Statements of Cash Flows
Six-month periods ended June 30, 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	2,909,640	4,569,678
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	280,097	249,272
Amortization	47,468	46,641
Decrease in allowance for doubtful accounts	(43,525)	(9,792)
Provision (reversal) for inventory obsolescence	(5,132)	23,351
Investment income on long-term equity investments, net	(822,814)	(1,036,548)
Cash dividends received from investees accounted for by equity method	24,400	129,776
Gain on disposal of long-term equity investments	-	(552,778)
Loss on disposal of property, plant and equipment	20,301	4,671
Write-off of fixed assets	865	-
Fixed assets transferred to expenses	2,400	77
Unrealized exchange gain on overseas convertible bonds	(5,730)	(150,684)
Interest provision (reversal) for redemption of convertible bonds	(4,514)	104,088
Amortization of bond issuance costs	2997	26786
Differences in accounts in the accompanying balance sheets:		
Notes and accounts receivable	1,113,160	(2,162,311)
Receivables from related parties	(1,615,972)	2,104,794
Inventories	(792,431)	(773,383)
Other financial assets-current	(214,859)	(24,430)
Prepaid expenses and other current assets	(8,820)	352,832
Notes and accounts payable	(2,422,468)	98,654
Payables to related parties	184,474	1,058,745
Deferred inter-company profit	7,818	(140,826)
Accrued expenses and other current liabilities	24,682	1,438,505
Accrued royalty expense	(223,489)	590,199
Accrued income tax	(670,493)	(90,271)
Deferred income tax assets	228,798	(93,025)
Deferred liabilities	(9,552)	(9,553)
Net cash provided by (used in) operating activities	<u>(1,992,699)</u>	<u>5,754,468</u>
Cash flows from investing activities:		
Additions to long-term equity investments	(440,772)	(306,823)
Decrease (increase) in short-term investment	1,036,536	(4,450,747)
Additions to property, plant and equipment	(194,914)	(654,308)
Proceeds from disposal of long-term equity investment	-	958,737
Proceeds from disposal of property, plant and equipment	457	14,291
Increase in refundable deposits and deferred assets	(51,317)	(62,871)
Receipt from investees' capital reduction	<u>57,484</u>	<u>175,070</u>
Net cash provided by (used in) investing activities	<u>407,474</u>	<u>(4,326,651)</u>
Cash flows from financing activities:		
Decrease in long-term borrowing	(20,095)	(620,095)
Increase (decrease) in short-term borrowings	(105,977)	(1,585,563)
Redemption of oversea convertible bond	(131,625)	(5,000)
Treasury stock transferred to employee	-	530,403
Bonuses for directors and supervisors	<u>(66,597)</u>	<u>(27,283)</u>
Net cash used in financing activities	<u>(324,294)</u>	<u>(1,707,538)</u>
Net decrease in cash and cash equivalents	(1,909,519)	(279,721)
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>116,149</u>	<u>280,710</u>
Additional disclosure of cash flow information:		
Cash paid during the year for:		

Interest, excluding capitalized interest	<u>20,636</u>	<u>20,340</u>
Income taxes	<u>821,500</u>	<u>549,299</u>
Supplemental disclosure of non-cash investing and financial activities:		
Unpaid cash dividends reported as accrued expenses	<u>2,521,577</u>	<u>1,118,655</u>
Unpaid employee bonus reported as accrued expenses	<u>100,000</u>	=
Increase(decrease) in capital surplus from long-term equity investment	<u>(104,725)</u>	<u>1,672,632</u>
Decrease in translation adjustment	<u>(61,111)</u>	<u>(253,838)</u>
Convertible bonds converted to common stock and capital surplus	=	<u>3,780,313</u>
Increase in accrued construction cost	=	<u>320,465</u>

BenQ Corporation.
Unaudited Core Business Balance Sheet
JUN. 30, 2003

UNIT : NTSK

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	1,497,614	2.0%	Short term borrowings	4,134,204	5.5%
Short term investment	8,975,483	11.9%	N/P & A/P	12,542,389	16.6%
Net notes and accounts receivable	13,574,270	18.0%	N/P & A/P to related parties	4,477,702	5.9%
N/R & A/R from related parties	1,650,953	2.2%	Bond payable	2,201,700	2.9%
Net inventories	13,907,484	18.4%	Accrued exp. & other current liab.	8,734,790	11.6%
Prepaid expenses & other current assets	2,343,947	3.1%	Total current liabilities	<u>32,090,786</u>	42.5%
Total current assets	<u>41,949,750</u>	55.6%	Long term loan	327,911	0.4%
Long term investments	19,983,934	26.5%	Bond payable	1,378,544	1.8%
Fixed assets :	<u>18,008,679</u>	23.9%	Other liabilities	288,569	0.4%
Less : Accumulated depreciation	(4,825,050)	6.4%	Total liabilities	<u>34,085,809</u>	45.2%
Total fixed assets	<u>13,183,629</u>	17.5%	Stockholder' equities	<u>0</u>	
Other assets	302,583	0.4%	Common stock	20,671,612	27.4%
			Treasury stock	(79,789)	-0.1%
			Capital surplus	13,191,348	17.5%
			Legal reserve	2,504,415	3.3%
			Retained earnings	4,341,528	5.8%
			Translation adjustment	704,972	0.9%
			Total stockholder' equities	<u>41,334,087</u>	54.8%
Total Assets	<u>\$ 75,419,896</u>	100.0%	Total Liabilities & stockholders' equity	<u>\$ 75,419,896</u>	100.0%

BenQ Corporation.
Unaudited Core Business Income Statement
Jan--Jun' 2003

UNIT : NTSK

Net sales	\$ 51,895,987	100.0%
Cost of goods sold	(43,908,519)	-84.6%
Gross profit	<u>7,987,467</u>	15.4%
Operating expense :	0	
S & M	(3,179,123)	-6.1%
G & A	(759,650)	-1.5%
R & D	(1,197,524)	-2.3%
Total Operating expense	<u>(5,136,297)</u>	-9.9%
Operating income (loss)	2,851,171	5.5%
Non-operating in net income (loss)	<u>481,115</u>	0.9%
Earning Before income tax	3,332,286	6.4%
Income tax	(422,646)	-0.8%
Minority interest in net income (loss)	<u>0</u>	0.0%
Profit after tax	<u>\$ 2,909,640</u>	5.6%