

# Qisda Corporation 2011 Q3 Results

October 26, 2011

Qisda Confidential © 2011, Qisda Corporation

**Qisda**

## Outline

- 2011 Q3 Financial Results
- 2011 Q3 Business Summary

Qisda Confidential © 2011, Qisda Corporation

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 might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.**

## 2011 Q3 Financial Results

## 2011 Q3 Financial Highlights

### ● 2011 Q3

- Revenue NT\$ 20.09 B
- Operating income NT\$ 0.12 B (0.6%)
- Net Loss NT\$ 0.35 B, EPS NT\$ -0.17

### ● 2011 YTD

- Revenue NT\$ 63.03 B
- Operating income NT\$ 0.58 B
- Net loss NT\$ 1.40 B, EPS NT\$ -0.71

Qisda Confidential © 2010, Qisda Corporation

5 **Qisda**

## Q3 Income Statement: QoQ Analysis

*Amount : NT\$ Billion*

	2011 Q3		2011 Q2		QoQ
<b>Net Sales</b>	20.09	100.0%	21.05	100.0%	-4.5%
COGS	(18.74)		(19.56)		
<b>Gross Margin</b>	1.35	6.7%	1.49	7.1%	-0.4 ppt
Opex	(1.23)	-6.1%	(1.29)	-6.1%	
<b>Operating Income</b>	0.12	0.6%	0.20	1.0%	-0.4 ppt
Net Non-op Items	(0.36)		(0.07)		
<b>Income before Tax</b>	(0.23)		0.14		
<b>Net Income</b>	(0.35)	-1.7%	0.13	0.6%	-2.3 ppt
<b>EPS-Diluted (NT\$)</b>	(0.17)		0.07		
<b>Net Worth / Share (NT\$)</b>	11.91		11.94		

\* Unaudited results of consolidated core business

\* EPS-diluted was calculated based on total diluted, weighted-averaged outstanding shares (1,964 m shares)

\* Net worth per share was calculated based on total outstanding shares (1,964 m shares)

Qisda Confidential © 2010, Qisda Corporation

6 **Qisda**

## Q3 Balance Sheet Highlights

Amount: NT\$ Billion

	2011 Q3		2011 Q2		QoQ
Cash & Equivalent	3.13	4.6%	5.06	7.3%	(1.93)
Accounts Receivable	10.80	15.8%	9.96	14.3%	0.84
Inventory	9.45	13.9%	9.08	13.0%	0.37
L-T Investments	27.80	40.8%	31.80	45.7%	(4.00)
<b>Total Assets</b>	<b>68.16</b>	<b>100.0%</b>	<b>69.57</b>	<b>100.0%</b>	<b>(1.41)</b>
Fin. Debt	23.19	34.0%	24.42	35.1%	(1.23)
Accounts Payable	14.89	21.8%	13.28	19.1%	1.61
<b>Total Liabilities</b>	<b>44.78</b>	<b>65.7%</b>	<b>46.12</b>	<b>66.3%</b>	<b>(1.34)</b>
<b>Equity</b>	<b>23.38</b>	<b>34.3%</b>	<b>23.44</b>	<b>33.7%</b>	<b>(0.06)</b>

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

Qisda Confidential © 2011 Qisda Corporation  
 Qisda Confidential © 2010, Qisda Corporation

7 Qisda

## Q3 Key Financial Ratios

	2011 Q3	2011 Q2	QoQ
A/R Turnover	48 days	44 days	+4 days
Inventory Turnover	48 days	46 days	+2 days
A/P Turnover	76 days	66 days	+10 days
Cash Conversion Cycle	19 days	24 days	-5 days
ROA	-0.5%	0.2%	-0.7 ppt
ROE	-1.5%	0.5%	-2.0 ppt
Current ratio	102.7%	105.5%	-2.8 ppt
Fin. Debt / Total Assets	34.0%	35.1%	-1.1 ppt

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

Qisda Confidential © 2011 Qisda Corporation  
 Qisda Confidential © 2010, Qisda Corporation

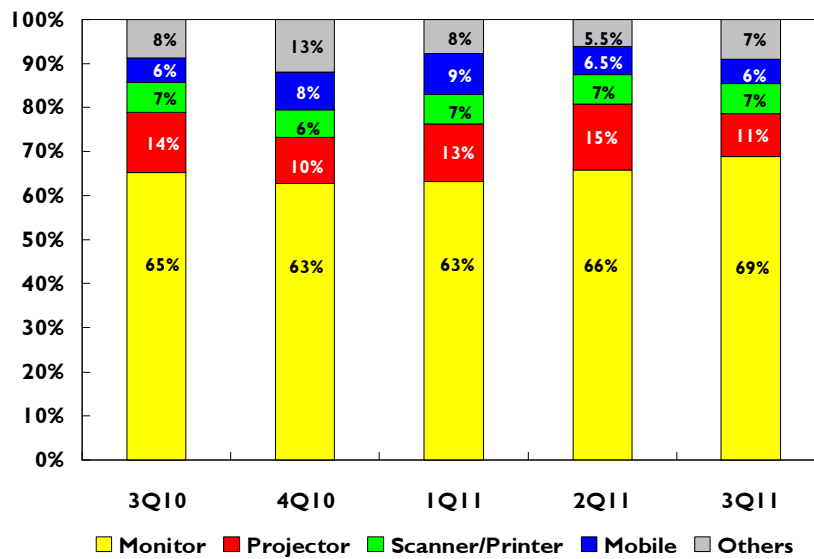
8 Qisda

# 2011 Q3 Business Summary

Qisda Confidential © 2011, Qisda Corporation

Qisda

## Revenue Breakdown by Product Line



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

10 Qisda

## 2011 Q3 Business Summary

- **Monitor :**

- Unit shipment remained flat QoQ at 4.01M sets

- **Projector :**

- Unit shipment decreased by 39% QoQ to 190K sets

- **Color laser printer :**

- Unit shipment increased by 6% QoQ

- **Mobile devices :**

- Unit shipment decreased by 34% QoQ

Qisda Confidential © 2011, Qisda Corporation

11 **Qisda**

**Qisda** Value-Up Solutions

Qisda Confidential © 2011, Qisda Corporation

**Qisda**

**Qisda Corporation**  
**Reviewed Non-consolidated Balance Sheets**  
**September 30, 2010 and 2011**  
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2010			2011			
	NT\$	NT\$	US\$	Liabilities and Stockholders' Equity	2010	2011	US\$
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents	698,122	645,607	21,163	Short-term borrowings	250,640	4,124,262	135,195
Financial assets at fair value through profit or loss—current	182,115	53,520	1,754	Financial liabilities at fair value through profit or loss—current	113,621	164,079	5,379
Available-for-sale financial assets—current	-	3,306,278	108,381	Accounts payable	2,264,694	2,399,339	78,652
Notes and accounts receivable, net	5,438,469	4,195,607	137,534	Accounts payable to related parties	1,524,803	8,971,426	294,087
Accounts receivable from related parties	5,787,242	8,446,011	276,864	Other payable to related parties	33,598	95,223	3,121
Other receivables, net	1,145,387	729,279	23,906	Income tax payable	132,365	-	-
Other receivable from related parties	2,167,878	1,060,121	34,751	Accrued expenses	4,759,167	3,362,466	110,223
Inventories	1,785,045	2,900,835	95,091	Advance receipts	632,696	318,830	10,451
Prepaid expenses and other current assets	41,697	61,346	2,011	Bonds payable due within one year	-	119,639	3,922
Deferred income tax assets—current	199,620	81,953	2,687	Long-term debt due within one year	989,000	1,742,280	57,113
<b>Total current assets</b>	<b>17,445,575</b>	<b>21,480,557</b>	<b>704,142</b>	Other current liabilities	2,576,118	202,017	6,622
				Deferred inter-company profits	53,150	16,481	540
<b>Long-term investments:</b>				<b>Total current liabilities</b>	<b>13,329,852</b>	<b>21,516,042</b>	<b>705,305</b>
Equity method	34,721,102	32,486,815	1,064,932				
Available-for-sale financial assets—non-current	3,656,000	148,806	4,878	<b>Long-term liabilities:</b>			
Financial assets carried at cost—non-current	238,571	17,774	583	Financial liabilities at fair value through profit or loss—non-current	8,919	-	-
<b>Total Long-term investments</b>	<b>38,615,673</b>	<b>32,653,395</b>	<b>1,070,393</b>	Bonds payable	115,511	-	-
<b>Property, plant and equipment:</b>				Long-term debt	19,177,500	11,793,720	386,603
Land	624,587	600,168	19,674	<b>Total long-term liabilities</b>	<b>19,301,930</b>	<b>11,793,720</b>	<b>386,603</b>
Buildings	1,469,222	1,426,072	46,747				
Machinery and equipment	856,717	881,567	28,898	<b>Other liabilities</b>			
Furniture and fixtures	117,720	91,469	2,999	Deposit-in	2,530	2,530	83
Miscellaneous equipment	50,506	57,471	1,884	Deferred gain on sale-leaseback transaction—non-current	636,863	527,687	17,298
Prepayments for plant and equipment	4,453	14,036	460	Other liabilities	430,162	48,188	1,580
	3,123,205	3,070,783	100,662	<b>Total other liabilities</b>	<b>1,069,555</b>	<b>578,405</b>	<b>18,961</b>
Less: accumulated depreciation	(1,550,584)	(1,573,181)	(51,570)	<b>Total liabilities</b>	<b>33,701,337</b>	<b>33,888,167</b>	<b>1,110,869</b>
<b>Net property, plant and equipment</b>	<b>1,572,621</b>	<b>1,497,602</b>	<b>49,092</b>				
<b>Intangible assets</b>	<b>33,698</b>	<b>56,340</b>	<b>1,847</b>	<b>Stockholders' equity:</b>			
<b>Other assets:</b>				Common stock	19,282,176	19,667,820	644,720
Assets for lease	169,686	211,793	6,943	Capital surplus	3,447,106	3,652,334	119,725
Idle assets	104,324	104,324	3,420	Legal reserve	-	312,870	10,256
Refundable deposits	94,285	96,885	3,176	Special reserve	-	286,915	9,405
Deferred expenses	131,445	104,969	3,441	Retained earnings (accumulated deficit)	2,461,217	(221,780)	(7,270)
Deferred income tax assets—non-current	835,708	947,016	31,043	Cumulative translation adjustment	774,889	730,908	23,959
Prepaid pension cost	115,349	119,621	3,921	Unrealized loss on available-for-sale financial assets	(467,883)	(965,011)	(31,633)
<b>Total other assets</b>	<b>1,450,797</b>	<b>1,584,608</b>	<b>51,944</b>	Treasury stock	(80,478)	(79,721)	(2,613)
				<b>Total stockholders' equity</b>	<b>25,417,027</b>	<b>23,384,335</b>	<b>766,549</b>
<b>Total assets</b>	<b>59,118,364</b>	<b>57,272,502</b>	<b>1,877,418</b>	<b>Commitments and contingencies</b>			
				<b>Total liabilities and stockholders' equity</b>	<b>59,118,364</b>	<b>57,272,502</b>	<b>1,877,418</b>

(Note: Translation of 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 as of September 30, 2011, of NT\$30.506 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, 2010 and 2011**

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

	2010	2011	
	NT\$	NT\$	US\$
<b>Net sales</b>	44,350,403	49,601,265	1,625,951
<b>Cost of goods sold</b>	(41,514,440)	(47,193,385)	(1,547,020)
<b>Gross profit</b>	<u>2,835,963</u>	<u>2,407,880</u>	<u>78,931</u>
<b>Change in deferred inter-company profits</b>	107,139	72,425	2,374
<b>Realized gross profit</b>	<u>2,943,102</u>	<u>2,480,305</u>	<u>81,305</u>
<b>Operating expenses:</b>			
Selling	(770,357)	(357,758)	(11,727)
Administrative	(331,458)	(453,996)	(14,882)
Research and development	(1,782,618)	(1,626,539)	(53,319)
	<u>(2,884,433)</u>	<u>(2,438,293)</u>	<u>(79,928)</u>
<b>Operating income</b>	<u>58,669</u>	<u>42,012</u>	<u>1,377</u>
<b>Non-operating income:</b>			
Interest income	24,032	32,126	1,053
Investment income recorded under the equity method, net	2,523,149	-	-
Dividend income	163,641	272,786	8,942
Foreign currency exchange gain, net	-	267,037	8,754
Evaluation gain on financial instruments, net	67,363	-	-
Gain on disposal of investments, net	1,101,533	-	-
Others	71,382	636,052	20,850
	<u>3,951,100</u>	<u>1,208,001</u>	<u>39,599</u>
<b>Non-operating expenses:</b>			
Interest expense	(418,068)	(384,146)	(12,592)
Investment loss recorded under the equity method, net	-	(1,790,931)	(58,708)
Other investment loss	(8,942)	-	-
Foreign currency exchange loss, net	(87,337)	-	-
Evaluation loss on financial instruments, net	-	(447,346)	(14,664)
Others	(111,935)	(1,338)	(44)
	<u>(626,282)</u>	<u>(2,623,761)</u>	<u>(86,008)</u>
<b>Income (loss) before income tax</b>	<u>3,383,487</u>	<u>(1,373,748)</u>	<u>(45,032)</u>
<b>Income tax expense</b>	(311,254)	(27,192)	(891)
<b>Net income (loss)</b>	<u>3,072,233</u>	<u>(1,400,940)</u>	<u>(45,923)</u>
<b>Earnings per share (expressed in New Taiwan dollars and US dollars):</b>			
<b>Basic earnings per share</b>	<u>1.56</u>	<u>(0.71)</u>	<u>(0.023)</u>
<b>Diluted earnings per share</b>	<u>1.55</u>	<u>(0.71)</u>	<u>(0.023)</u>



**Qisda Corporation**

**Reviewed Non-consolidated Statements of Cash Flows**  
**For the nine-month periods ended September 30, 2010 and 2011**  
**(Expressed in thousands of New Taiwan dollars and US Dollars)**

	2010	2011	
	NT\$	NT\$	US\$
<b>Cash flows from operating activities:</b>			
Net income (loss)	3,072,233	(1,400,940)	(45,923)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	86,988	74,845	2,453
Amortization	36,942	29,059	953
Change in allowance for bad debt and sales discount	66,296	42,100	1,380
Amortization of bonds discount and bond issuance costs	29,355	23,289	763
Change in provision for inventory obsolescence	63,368	1,142	37
Investment loss (income) recorded under the equity method, net	(2,523,149)	1,790,931	58,708
Cash dividends received from investments recorded under the equity method	93,283	513,467	16,832
Gain on disposal of property, plant and equipment, net	(465)	(842)	(28)
Gain on disposal of investments, net	(1,101,533)	-	-
Other investment loss	8,942	-	-
Amortization of deferred gain on sale-leaseback transaction	(81,882)	(81,882)	(2,684)
Differences in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	(67,363)	447,346	14,664
Notes and accounts receivable	(3,288,071)	13,495	442
Receivables from related parties	(13,997)	(2,647,233)	(86,777)
Other receivables	395,830	(133,865)	(4,388)
Other receivables from related parties	30,674	60,701	1,990
Inventories	(543,492)	(1,142,697)	(37,458)
Prepaid expenses and other current assets	2,140	(14,208)	(466)
Deferred income tax assets	142,921	-	-
Prepaid pension cost	(9,401)	(534)	(18)
Accounts payable	408,260	569,411	18,666
Payables to related parties	(1,325,849)	6,071,485	199,026
Income tax payable	132,365	(132,075)	(4,329)
Accrued expenses and other current liabilities	233,631	(1,909,970)	(62,610)
Other payables to related parties	(16,131)	62,571	2,051
Advance receipts	(215,716)	-	-
Deferred inter-company profits	(107,139)	(72,425)	(2,374)
Other liabilities	(2,071)	-	-
<b>Net cash provided by (use in) operating activities</b>	<u>(4,493,031)</u>	<u>2,163,171</u>	<u>70,910</u>
<b>Cash flows from investing activities:</b>			
Addition to long-term equity investments	(194,914)	-	-
Proceeds from disposal of investments	2,247,235	-	-
Proceeds from investees' capital reduction	276,592	-	-
Additions to property, plant and equipment	(24,836)	(56,723)	(1,859)
Proceeds from disposal of property, plant and equipment	654	890	29
Increase in refundable deposits	(1,826)	(2,600)	(85)
Increase in deferred expenses	(57,391)	(25,347)	(831)
Decrease (increase) in other receivables from related parties	(423,175)	461,049	15,113
<b>Net cash provided by in investing activities</b>	<u>1,822,339</u>	<u>377,269</u>	<u>12,367</u>
<b>Cash flows from financing activities:</b>			
(Decrease) increase in short-term borrowings	(774,320)	4,124,262	135,195
Redemption of bonds	(1,600,000)	-	-
Increase in long-term debt	10,566,500	2,000,000	65,561
Decrease in long-term debt	(5,600,000)	(7,520,500)	(246,525)
Increase in deposit-in	2,530	-	-
Distribution of cash dividends	-	(964,108)	(31,604)
<b>Net cash provided by (use in) financing activities</b>	<u>2,594,710</u>	<u>(2,360,346)</u>	<u>(77,373)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(75,982)</u>	<u>180,094</u>	<u>5,904</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>774,104</u>	<u>465,513</u>	<u>15,259</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>698,122</b></u>	<u><b>645,607</b></u>	<u><b>21,163</b></u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for:			
Interest	<u>434,037</u>	<u>377,355</u>	<u>12,370</u>
Income taxes	<u>491</u>	<u>109,715</u>	<u>3,597</u>
<b>Supplemental disclosure of non-cash investing and financial activities:</b>			
Increase (decrease) in cumulative translation adjustment	<u>(37,582)</u>	<u>628,949</u>	<u>20,617</u>
Adjustments of net equity of investee companies	<u>(237,104)</u>	<u>80,837</u>	<u>2,650</u>
Changes in unrealized loss on available-for-sale financial assets	<u>(153,392)</u>	<u>(509,588)</u>	<u>(16,705)</u>

**Qisda Corporation.**  
**Unaudited Core Business Consolidated Balance Sheet**  
**Sep. 30, 2011**

UNIT : NT\$K

<b>Assets</b>			<b>Liabilities and stockholders' equity</b>		
<b>Current assets :</b>			<b>Liabilities</b>		
Cash & cash equivalents	2,103,937	3.1%	Short- term borrowings	7,703,248	11.3%
Financial assets at fair value through profit or loss - current	53,520	0.1%	Financial liabilities at fair value through profit or loss - current	164,079	0.2%
Notes and accounts receivable, net	6,371,248	9.3%	N/P & A/P	13,425,628	19.7%
N/R & A/R from related parties	4,427,307	6.5%	N/P & A/P to related parties	1,465,820	2.2%
Other receivables, net	749,164	1.1%	Other payable to related parties	24,314	0.0%
Other receivable from related parties	184,015	0.3%	Bonds payable and long-term debt due within one year	1,861,919	2.7%
Other financial assets - current	1,025,247	1.5%	Accrued exp. & other current liab.	5,670,303	8.3%
Net inventories	9,449,215	13.9%	<b>Total current liabilities</b>	<u>30,315,311</u>	44.5%
Prepaid expenses and other current assets	6,621,882	9.7%	Long term loan	13,624,080	20.0%
Deferred income tax assets - current	156,972	0.2%	Bonds payable	0	0.0%
<b>Total current assets</b>	<u>31,142,507</u>	45.7%	Other liabilities	836,438	1.2%
Long-term investments	27,801,226	40.8%	<b>Total liabilities</b>	<u>44,775,828</u>	65.7%
<b>Fixed assets :</b>	14,368,449	21.1%	<b>Stockholders' equity</b>		
Less : Accumulated depreciation and	(8,079,925)	11.9%	Common stock	19,667,820	28.9%
<b>Total fixed assets</b>	<u>6,288,523</u>	9.2%	Capital surplus	3,939,249	5.8%
Other assets	2,927,908	4.3%	Legal reserve	312,870	0.5%
			Unrealized gain or loss on available-for-sale financial assets	(965,011)	-1.4%
			Retained earnings	(221,780)	-0.3%
			Cumulative translation adjustment	730,908	1.1%
			Treasury stock	(79,720)	-0.1%
			<b>Total stockholders' equity</b>	<u>23,384,335</u>	34.3%
<b>Total Assets</b>	<u>\$ 68,160,163</u>	100.0%	<b>Total Liabilities and stockholders' equity</b>	<u>\$ 68,160,163</u>	100.0%

**Qisda Corporation.**  
**Unaudited Core Business Consolidated Income Statement**  
**Jan~Sep' 2011**

UNIT : NT\$K

<b>Net sales</b>	\$ 63,031,522	100.0%
Cost of goods sold	(58,621,306)	-93.0%
<b>Gross profit</b>	<u>4,410,216</u>	7.0%
<b>Operating expense :</b>		
S & M	(1,218,223)	-1.9%
G & A	(763,800)	-1.2%
R & D	(1,849,446)	-2.9%
<b>Total Operating expense</b>	<u>(3,831,469)</u>	-6.1%
<b>Operating income (loss)</b>	578,747	0.9%
<b>Non-operating income (loss)</b>	(1,813,598)	-2.9%
<b>Earning before income tax</b>	(1,234,851)	-2.0%
<b>Income tax expense</b>	(166,090)	-0.3%
<b>Profit after tax</b>	<u>(\$1,400,940)</u>	-2.2%