



Darfon Electronics Corp.

2008 Results Conference

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Agenda

- **2008 Financial Highlights**
- **Business Outlook**
- **Q&A**



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.



2008 Financial Highlights



Consolidated Income Statement

Amount : NT\$ Million Except Per Share Data

Net Sales	27,212	100.00%	24,643	100.00%	10%
COGS	23,865	87.70%	20,516	83.26%	16%
Gross profit	3,346	12.30%	4,126	16.74%	-19%
Operating Expenses	2,328	8.55%	2,179	8.84%	7%
Operating income	1,019	3.74%	1,947	7.90%	-48%
Net Non-operating items	(97)	-0.36%	65	0.26%	-250%
Earning Before income tax (PBT)	922	3.39%	2,012	8.16%	-54%
Adjustment (Minority interest)	(3)	-0.01%	14	0.06%	-121%
PBT after adjustment	924	3.40%	1,998	8.11%	-54%
Net Income	751	2.76%	1,736	7.05%	-57%
Attributable to:					
Equity holders of the parent company	754		1,722		
Minority interest	(3)		14		
Net Income	751		1,736		
Basic EPS (NT\$) (a)	2.50		7.27		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each quarter (301.25m shares in 4Q08 and 4Q08, 236.97m shares in 4Q07)

- **IMR Housing & KB** ↑ > **PWR** ↓
- **CAPEX** ↑
- **OPEX%** ↓



Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

(Amount : NT\$ Million Except Per Share Data)

	2008		2007		YoY %
Cash & Marketable Securities	4,355	18%	3,987	18%	9%
Accounts receivable	6,658	28%	7,138	33%	-7%
Inventory	3,792	16%	3,737	17%	1%
Current assets	15,317	64%	15,237	70%	1%
Net PP&E	8,192	34%	5,942	27%	38%
Total Assets	24,002	100%	21,682	100%	11%
Short term bank loans	4,927	21%	1,896	9%	160%
Accounts payable	7,401	31%	8,013	37%	-8%
Current liabilities	14,233	59%	11,725	54%	21%
L-T Interest-bearing Debt	392	2%	0	0%	-
Total Liabilities	14,729	61%	11,821	55%	25%
Total stockholder' equities	9,273	39%	9,862	45%	-6%
BVPS (NT\$)	31.0		35.8		
Net Debt (Cash)	964		(2,091)		

- **AR ↓ & Inventory**
- **CAPEX under control**
- **Net Debt 0.96b**
- **BVPS > 30**



Consolidated Cash flow Highlights

(Amount : NT\$ Million Except Per Share Data)

	2008	2007	change
From Operating Activities	1,688	2,628	(940)
Net Income	751	1,736	(985)
Depreciation & Amortization	1,156	851	305
Net Change in Working Capital	(281)	(842)	561
From Investing Activities	(3,538)	(4,458)	920
Capital Expenditure	(2,992)	(2,131)	(861)
From Financing Activities	1,896	3,213	(1,317)
Net Change in Debt	3,690	(282)	3,972
Cash Dividends	(663)	(316)	(347)
Employees' Compensation	(65)	(45)	(19)
Net Change in Cash	(22)	1,324	(1,346)

- + Operating Cash inflow
- CAPEX 3b



Key Ratio Highlights

	<u>2008</u>	<u>2007</u>	<u>YoY</u>
Debt Ratio	61%	55%	6.85 bps
*Debt Ratio	53%	37%	15.66 bps
Net Debt (Cash) to Equity	10%	-21%	31.60 bps
Current Ratio	108%	130%	(22.34) bps
Days of Receivable	93	86	7 days
Days of Inventory	58	52	6 days
Days of AP	118	113	5 days
Cash Conversion Cycle	33	25	8 days

- **Debt% (55%±5%) & Net Debt%**
- **CCC will shorten under good inventory control & uptrend revenue**



Q&A

Thank You!

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DARFON ELECTRONICS CORP.

Unaudited Consolidated Balance Sheets

December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

Assets	2008		2007		Liabilities and Stockholders' Equity	2008		2007	
	NTD	%	NTD	%		NTD	%	NTD	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 1,678,038	7	\$ 1,699,927	8	Short-term borrowings	4,927,132	20	\$ 1,628,893	7
Financial assets at fair value through profit or loss	1,282,400	5	1,960,545	9	Notes and accounts payable	7,384,262	31	7,972,589	37
Accounts receivable, net	6,391,579	27	6,571,338	30	Payables to related parties	16,735	-	40,650	-
Receivables from related parties, net	275,459	1	566,990	3	Payables to other related parties	91,565	-	358,718	2
Other financial assets – current	1,394,946	6	326,253	2	Accrued expenses and other current liabilities	1,805,974	8	1,723,638	8
Inventories, net	3,791,978	16	3,736,773	17	Financial debt at fair value through profit or loss	16,477	-	169	-
Prepaid expenses and other current assets	458,247	2	278,133	1					
Deferred tax assets – current	53,508	-	96,826	-	Total current liabilities	14,242,145	59	11,724,657	54
Total current assets	15,326,155	64	15,236,785	70	Long-term debt	392,000	2	-	-
Long-term investments at cost	6,000	-	-	-	Deferred income tax liabilities-noncurrent	-	-	36,767	-
Property, plant and equipment:					Other liabilities	103,084	-	59,226	-
Land	445,067	2	443,468	2					
Buildings	2,760,190	11	2,411,372	11	Total liabilities	14,737,229	61	11,820,650	54
Machinery and equipment	6,788,821	28	5,249,674	24					
Molding equipment	175,756	1	129,704	1	Stockholders' equity				
Furniture and fixtures	524,208	2	393,898	2	Common stock	2,996,103	13	2,753,203	13
Miscellaneous equipment	371,204	2	315,507	1	Capital surplus	4,600,868	19	4,774,276	22
Prepayments for plant and equipment	1,699,001	7	501,390	2	Legal reserve	345,676	2	173,444	1
	12,764,247	53	9,445,013	43	Retained earnings	1,031,125	4	2,106,885	10
Less: accumulated impairment	(89,685)	-	(89,685)	-	Translation adjustment	242,206	1	53,812	-
accumulated depreciation	(4,482,268)	(19)	(3,380,459)	(15)		9,215,978	39	9,861,620	46
Net property, plant and equipment	8,192,294	34	5,974,869	28	Minority interest	57,073	-	-	-
Intangible assets	131,235	1	155,509	1	Total stockholders' equity	9,273,051	39	9,861,620	46
Other assets:									
Assets for lease					Total liabilities and stockholders' equity	\$ 24,010,280	100	\$ 21,682,270	100
Idle assets	207,240	1	213,643	1					
Refundable deposits	62,273	-	29,622	-					
Deferred expenses	85,083	-	71,842	-					
Total other assets	354,596	-	315,107	1					
Total assets	\$ 24,010,280	100	\$ 21,682,270	100					

DARFON ELECTRONICS CORP.

Unaudited Consolidated Income Statements

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	2008		2007	
	NTD	%	NTD	%
Sales	\$ 27,211,723	100	24,642,610	100
Cost of goods sold	(23,865,315)	(88)	(20,516,424)	(83)
Gross profit	3,346,408	12	4,126,186	17
Operating expenses				
Selling	(1,002,316)	(3)	(1,151,885)	(4)
Administrative	(583,312)	(2)	(398,331)	(2)
Research and development	(742,026)	(3)	(628,530)	(3)
	(2,327,654)	(8)	(2,178,746)	(9)
Operating income	1,018,754	4	1,947,440	8
Non-operating income, net	(97,229)	(1)	64,616	-
Net income before income tax	921,525	3	2,012,056	8
Income tax expense	(170,471)	-	(275,861)	(1)
Net income	\$ 751,054	3	1,736,195	7
Attribute to:				
Shareholders of the parent	753,981	3	1,722,324	7
Minority	(2,927)	-	13,871	-
	\$ 751,054	3	1,736,195	7
Earnings per share(expressed in New Taiwan dollars)	\$ 2.50		6.44	

DARFON ELECTRONICS CORP.

Unaudited Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flows from operating activities:		
Net income	\$ 751,054	1,736,195
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,024,354	779,429
Amortization	131,424	71,667
Gain on disposal of short-term investment	(16,740)	(4,341)
Loss from reserve inventory devaluation	80,417	(6,963)
Deferred income tax expense	6,551	22,400
Loss from disposal of property, plant and equipment	(341)	329
Fixed assets transferred to expenses	8,970	2,516
Impairment Loss of Intangible asset	10,245	
Changes in operating assets and liabilities:		
Accounts receivable	179,759	(2,193,115)
Receivables from related parties	291,531	84,245
Inventories	(148,488)	(1,377,590)
Other financial assets – current, prepaid expenses and other current assets	34,861	(168,513)
Notes and accounts payable	(588,327)	3,105,592
Accrued expenses and other current liabilities	82,336	457,425
Payables to other related parties	(501)	-
Payables to related parties	(23,915)	18,542
Prepaid expenses and other current assets	(180,114)	65,126
Other liability	44,616	31,178
Net cash provided by operating activities	1,687,692	2,624,122
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	341	6,801
Increase(Decrease) in Restricted deposit	(1,103,554)	4,000
Increase(Decrease) in refundable deposit	(32,651)	1,314
Increase(Decrease) in Long-term equity investment	(6,000)	-
Additions to property, plant and equipment	(2,992,043)	(2,131,149)
Increase in refundable deposits	(115,441)	(90,595)
Increase in financial assets at fair value through profit or loss	711,193	(1,956,035)
Additions to long-term equity investment	-	(288,275)
Net cash used in investing activities	(3,538,155)	(4,453,939)
Cash flows from financing activities:		
Increase(Decrease) in short-term borrowings	3,298,239	(420,280)
Decrease in Long-term debt	-	(430,769)
Repurchase of common stock	(860,214)	-
Increase in minority interest	60,000	-
Payables to other related parties	(266,652)	(369,891)
Decrease in long-term debt	392,000	-
Capital increase	-	4,817,000
Additions to long-term equity investment	-	(21,933)
Employee's bonus in cash	(49,000)	(33,786)
Cash dividend to stockholders	(663,302)	(316,221)
Directors' and supervisors' remuneration	(15,501)	(11,263)
Net cash used in financing activities	1,895,570	3,212,857
Effect of exchange rate change on cash	(66,996)	(59,227)
Net increase in cash and cash equivalents	(21,889)	1,323,813
Cash and cash equivalents at beginning of year	1,699,927	376,114
Cash and cash equivalents at end of year	\$ 1,678,038	1,699,927

DARFON ELECTRONICS CORP.

Unaudited Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Translation Adjustment	Treasure Stock	Minority Interest	Total
Balance at January 1, 2007	\$ 1,826,142	512,141	48,304	1,266,032	17,013	-	30,036	3,699,668
Appropriation approved by the stockholders:								
Legal reserve	-	-	125,140	(125,140)	-	-	-	-
Issuance of new shares from stockholders' dividends	316,221	-	-	(316,221)	-	-	-	-
Issuance of new shares from employees' stock dividends	78,840	-	-	(78,840)	-	-	-	-
Cash dividend to stockholders	-	-	-	(316,221)	-	-	-	(316,221)
Directors' and supervisors' remuneration	-	-	-	(11,263)	-	-	-	(11,263)
Cash bonus paid to employees	-	-	-	(33,786)	-	-	-	(33,786)
1 st capital increase	250,000	1,750,000	-	-	-	-	-	2,000,000
2 nd capital increase	282,000	2,535,000	-	-	-	-	-	2,817,000
Capital surplus from long-term investment by equity method	-	(22,865)	-	-	-	-	-	(22,865)
Change in translation adjustment	-	-	-	-	36,799	-	-	36,799
Change in minority Decrease	-	-	-	-	-	-	(43,907)	(43,907)
Net income for 2007	-	-	-	1,722,324	-	-	13,871	1,736,195
Balance at December 31, 2007	2,753,203	4,774,276	173,444	2,106,885	53,812	-	-	9,861,620
Purchase of treasury stock	-	-	-	-	-	(860,214)	-	(860,214)
Retirement of treasury stock	(100,000)	(173,408)	-	(586,806)	-	860,214	-	-
Appropriation approved by the stockholders:								
Legal reserve	-	-	172,232	(172,232)	-	-	-	-
Issuance of new shares from stockholders' dividends	265,320	-	-	(265,320)	-	-	-	-
Issuance of new shares from employees' stock dividends	77,580	-	-	(77,580)	-	-	-	-
Cash dividend to stockholders	-	-	-	(663,302)	-	-	-	(663,302)
Directors' and supervisors' remuneration	-	-	-	(15,501)	-	-	-	(15,501)
Cash bonus paid to employees	-	-	-	(49,000)	-	-	-	(49,000)
Change in translation adjustment	-	-	-	-	188,394	-	-	188,394
Change in minority interest	-	-	-	-	-	-	60,000	60,000
Net income for 2008	-	-	-	753,981	-	-	(2,927)	751,054
Balance at December 31, 2008	\$ 2,996,103	4,600,868	345,676	1,031,125	242,206	-	57,073	9,273,051