

# 3Q 2010 Results Conference

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## **Agenda**

- **3Q 2010 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.**

# 3Q 2010 Financial Highlights



# Consolidated Income Statement

(Amount : NT\$ million except per share data)

	3Q'10		2Q'10		QoQ %	3Q'09		YoY %	1Q-3Q'10		YoY %
<b>Net sales</b>	<b>7,083</b>	<b>100.0%</b>	<b>8,713</b>	<b>100.0%</b>	<b>-18.7%</b>	<b>8,166</b>	<b>100.0%</b>	<b>-13.3%</b>	<b>22,955</b>	<b>100.0%</b>	<b>7.7%</b>
COGS	6,343	89.6%	7,601	87.2%	-16.6%	7,092	86.8%	-10.6%	20,192	88.0%	7.0%
<b>Gross profit</b>	<b>740</b>	<b>10.4%</b>	<b>1,111</b>	<b>12.8%</b>	<b>-33.4%</b>	<b>1,074</b>	<b>13.2%</b>	<b>-31.1%</b>	<b>2,763</b>	<b>12.0%</b>	<b>13.0%</b>
<b>Operating expenses</b>	<b>666</b>	<b>9.4%</b>	<b>716</b>	<b>8.2%</b>	<b>-7.1%</b>	<b>632</b>	<b>7.7%</b>	<b>5.3%</b>	<b>2,005</b>	<b>8.7%</b>	<b>19.2%</b>
<b>Operating income</b>	<b>74</b>	<b>1.0%</b>	<b>395</b>	<b>4.5%</b>	<b>-81.2%</b>	<b>442</b>	<b>5.4%</b>	<b>-83.2%</b>	<b>759</b>	<b>3.3%</b>	<b>-0.7%</b>
Net non-operating items	(1)	0.0%	(6)	-0.1%	-80.0%	(17)	-0.2%	-92.7%	(20)	-0.1%	-65.1%
Earning before income tax (EBT)	73	1.0%	388	4.5%	-81.2%	425	5.2%	-82.8%	739	3.2%	4.6%
<b>Net income</b>	<b>58</b>	<b>0.8%</b>	<b>310</b>	<b>3.6%</b>	<b>-81.2%</b>	<b>339</b>	<b>4.2%</b>	<b>-82.8%</b>	<b>591</b>	<b>2.6%</b>	<b>4.7%</b>
Attributable to:											
Equity holders of the parent company	59		311			340			592		
Minority interest	(1)		(1)			(1)			(2)		
Net income	58	0.8%	310	3.6%	-81.2%	339	4.2%	-82.8%	591	2.6%	4.7%
<b>Basic EPS (NT\$(a))</b>	<b>0.18</b>		<b>0.93</b>			<b>1.03</b>			<b>1.78</b>		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each first three quarter (333.552m shares in 3Q'10 and 332.191m shares in 3Q'09)

- Revenue declined due to the conservative outlook from customers
- Profit margin impacted by revenue scale down



# Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

(Amount : NT\$ million except per share data)

	3Q'10		2Q'10		QoQ %
Cash & marketable securities	1,302	6.1%	1,843	7.7%	-29.4%
Accounts receivable	6,642	31.3%	8,191	34.4%	-18.9%
Inventory	3,401	16.0%	3,599	15.1%	-5.5%
<b>Current assets</b>	<b>11,891</b>	<b>56.0%</b>	<b>14,252</b>	<b>59.8%</b>	<b>-16.6%</b>
<b>Net PP&amp;E</b>	<b>8,717</b>	<b>41.0%</b>	<b>8,905</b>	<b>37.4%</b>	<b>-2.1%</b>
<b>Total assets</b>	<b>21,249</b>	<b>100.0%</b>	<b>23,814</b>	<b>100.0%</b>	<b>-10.8%</b>
Short-term bank loans	1,281	6.0%	1,436	6.0%	-10.8%
Accounts payable	7,465	35.1%	8,879	37.3%	-15.9%
<b>Current liabilities</b>	<b>10,877</b>	<b>51.2%</b>	<b>13,164</b>	<b>55.3%</b>	<b>-17.4%</b>
<b>Long-term interest-bearing debt</b>	<b>534</b>	<b>2.5%</b>	<b>752</b>	<b>3.2%</b>	<b>-29.0%</b>
<b>Total liabilities</b>	<b>11,435</b>	<b>53.8%</b>	<b>13,945</b>	<b>58.6%</b>	<b>-18.0%</b>
<b>Total stockholders' equities</b>	<b>9,814</b>	<b>46.2%</b>	<b>9,870</b>	<b>41.4%</b>	<b>-0.6%</b>
<b>BVPS(NT\$)</b>	<b>29.3</b>		<b>31.2</b>		

- Cash position reduced due to cash dividend payout and deleverage



# Consolidated Cash Flow Highlights

(Amount : NT\$ million)

	3Q'10	2Q'10	change	1Q-3Q'10
<b>From operating activities</b>	230	1,284	(1,054)	2,084
Net income	58	310	(252)	591
Depreciation & amortization	325	329	(4)	969
Net change in working capital	334	123	212	518
<b>From investing activities</b>	201	(588)	789	(546)
Capital expenditure	(208)	(387)	179	(854)
<b>From financing activities</b>	(753)	(611)	(142)	(1,894)
Net change in debt	(373)	(611)	238	(1,514)
Cash dividends	(380)	0	(380)	(380)
Effect of exchange rate change on cash	19	(2)		23
<b>Net change in cash</b>	<b>(304)</b>	<b>82</b>	<b>(386)</b>	<b>(332)</b>

- Net working capital cash inflow
- Redeem short-term investment for cash dividend payout
- Deleverage to reduce bank loan



## Key Ratio Highlights

	3Q'10	2Q'10	QoQ	3Q'09	YoY
Debt ratio	54%	59%	(4.7) bps	60%	(6.0) bps
*Debt ratio	51%	55%	(4.3) bps	55%	(4.7) bps
Net debt(Cash) to equity	5%	4%	1.7 bps	22%	(16.8) bps
Current ratio	109.3	108.3	1.0 bps	107	2.7 bps
Cash conversion cycle	31	28	3.4 days	38	(6.3) days
ROA	1.7%	7.3%	(5.5) bps	9.1%	(7.4) bps
ROE	2.4%	12.6%	(10.3) bps	14.8%	(12.4) bps

- Debt ratio is well controlled
- CCC is managed in healthy level

# Business Outlook



# Q&A

# *Thank You!*



**DARFON ELECTRONICS CORP.**  
**Unaudited Consolidated Balance Sheets**  
**September 30, 2010 and 2009**  
**(expressed in thousands of New Taiwan dollars)**

Assets	2010.09.30		2009.09.30		Liabilities and Stockholders' Equity	2010.09.30		2009.09.30	
	NTD	%	NTD	%		NTD	%	NTD	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$899,447	4	\$1,054,080	4	Short-term borrowings	\$1,245,182	6	\$3,805,032	17
Financial assets at fair value through profit or loss—current	120,972	1	350,330	2	Notes and accounts payable	7,432,971	35	7,262,258	31
Accounts receivable, net	6,615,849	31	7,170,545	31	Payables to related parties	32,135	-	22,669	-
Receivables from related parties, net	25,774	-	324,113	1	Accrued expenses and other current liabilities	2,116,918	10	2,191,367	9
Other receivables from related parties, net	3133	-	2168	-	Financial liabilities at fair value through profit or loss—current	1,918	-	-	-
Other financial assets—current	281,501	2	873,778	4	Other payables to related parties	12,264	-	36,136	-
Inventories, net	3,400,582	16	3,918,086	17	Long-term debt due within one year	36,000	-	-	-
Prepaid expenses and other current assets	494,464	2	447,689	2	<b>Total current liabilities</b>	<b>10,877,388</b>	<b>51</b>	<b>13,317,462</b>	<b>57</b>
Deferred tax assets—current	48,905	-	63,208	-					
<b>Total current assets</b>	<b>11,890,627</b>	<b>56</b>	<b>14,203,997</b>	<b>61</b>	<b>Long-term debt</b>	<b>534,000</b>	<b>3</b>	<b>530,000</b>	<b>3</b>
<b>Long-term investments at cost</b>	<b>103,457</b>	<b>-</b>	<b>6,000</b>	<b>-</b>	<b>Other liabilities</b>	<b>23,337</b>	<b>-</b>	<b>27,470</b>	<b>-</b>
<b>Property, plant and equipment:</b>					<b>Total liabilities</b>	<b>11,434,725</b>	<b>54</b>	<b>13,874,932</b>	<b>60</b>
Land	445,056	2	445,179	2					
Buildings	5,722,699	27	4,114,495	18	<b>Stockholders' equity</b>				
Machinery and equipment	7,254,531	34	6,952,357	30	Common stock	3,349,020	16	3,167,558	14
Molding equipment	165,629	1	158,583	1	Capital surplus	4,696,116	22	4,644,362	20
Furniture and fixtures	529,237	2	506,822	2	Stock Dividends To Be Distributed	-	-	-	-
Miscellaneous equipment	351,803	2	392,980	2	Legal reserve	507,692	2	421,074	2
Prepayments for plant and equipment	163,482	1	1,048,992	4	Retained earnings	1,189,847	6	924,552	4
	14,632,437	69	13,619,408	59	Translation adjustment	23,156	-	108,188	-
Less: accumulated impairment	-89,685	-	-89,685	-		<b>9,765,831</b>	<b>46</b>	<b>9,265,734</b>	<b>40</b>
accumulated depreciation	-5,825,994	- 27	-5,043,960	- 22	Minority interest	47,987	-	50,355	-
<b>Net property, plant and equipment</b>	<b>8,716,758</b>	<b>42</b>	<b>8,485,763</b>	<b>37</b>	<b>Total stockholders' equity</b>	<b>9,813,818</b>	<b>46</b>	<b>9,316,089</b>	<b>40</b>
<b>Intangible assets</b>	<b>111,353</b>	<b>-</b>	<b>112,897</b>	<b>-</b>					
<b>Other assets:</b>					<b>Total liabilities and stockholders' equity</b>	<b>\$21,248,543</b>	<b>100</b>	<b>\$23,191,021</b>	<b>100</b>
Assets for lease									
Idle assets	194,965	1	202,124	1					
Refundable deposits	36,440	-	33,095	-					
Deferred expenses and tax assets	194,943	1	147,145	1					
<b>Total other assets</b>	<b>426,348</b>	<b>2</b>	<b>382,364</b>	<b>2</b>					
<b>Total assets</b>	<b>\$21,248,543</b>	<b>100</b>	<b>\$23,191,021</b>	<b>100</b>					



**DARFON ELECTRONICS CORP.**  
**Unaudited Consolidated Income Statements**  
**For the years ended September 30, 2010 and 2009**  
**(expressed in thousands of New Taiwan dollars)**

	<b>2010.09.30</b>		<b>2009.09.30</b>	
	NTD	%	NTD	%
<b>Sales</b>	\$ 22,955,448	100	21,315,100	100
<b>Cost of goods sold</b>	-20,191,965	- 88	-18,869,145	- 89
<b>Gross profit</b>	2,763,483	12	2,445,955	11
<b>Operating expenses</b>				
Selling	-907,534	- 4	-747,906	- 4
Administrative	-464,146	- 2	-410,927	- 2
Research and development	-632,909	- 3	-522,729	- 2
	-2,004,589	- 9	-1,681,562	- 8
<b>Operating income</b>	758,894	3	764,393	3
<b>Non-operating income, net</b>	-20,392	-	-58,490	-
<b>Net income before income tax</b>	738,502	3	705,903	3
<b>Income tax expencse</b>	-147,866	- 1	-141,720	- 1
<b>Net income</b>	\$ <b>590,636</b>	<b>2</b>	<b>564,183</b>	<b>2</b>
<b>Attribute to:</b>				
Shareholders of the parent	592,264	2	568,046	2
Minority	-1,628	0	-3,863	0
	\$ <b>590,636</b>	<b>2</b>	<b>564,183</b>	<b>2</b>
<b>Earnings per share(expressed in New Taiwan dollars)</b>	\$ <b>1.78</b>		<b>1.71</b>	



**DARFON ELECTRONICS CORP.**  
**Unaudited Consolidated Statements of Cash Flows**  
**For the years ended September 30, 2010 and 2009**  
**(expressed in thousands of New Taiwan dollars)**

	<u>2010.09.30</u>	<u>2009.09.30</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 590,636	564,183
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	876,017	961,459
Amortization	93,228	134,574
Loss from disposal of property, plant and equipment	- 3,818	1,901
Fixed assets transferred to expenses	118	21
Loss(Gain) on evaluation of financial assets	- 14,375	- 5,895
Deferred income tax expense (Gain)	- 27,540	- 25,561
Changes in operating assets and liabilities:		
Accounts receivable	600,858	- 778,966
Receivables from related parties	261,419	- 48,654
Other receivables from related parties	- 2,165	- 2,168
Inventories	- 303,383	- 119,468
Prepaid expenses and other current assets	- 37,515	10,558
Other financial assets	130,335	- 185,024
Notes and accounts payable	- 44,563	- 122,004
Payables to related parties	4,128	5,934
Accrued expenses and other current liabilities	- 25,873	393,727
Other payables to related parties	1,633	- 55,429
Other liability	- 14,716	- 75,614
<b>Net cash provided by operating activities</b>	<b><u>2,084,424</u></b>	<b><u>653,574</u></b>
<b>Cash flows from investing activities:</b>		
Increase in financial assets at fair value through profit or loss	463,757	921,488
Acquisition of long-term investments at cost	- 97,457	-
Acquisition of property, plant and equipment	- 854,254	-1,373,613
Proceeds from disposal of property, plant and equipment	124,635	4,680
Decrease(Increase) in restricted deposit	- 120,674	706,192
Decrease(Increase) in refundable deposit	30,240	29,178
Acquisition of intangible assets and deferred expense	- 91,921	- 113,882
Acquisition shares from minority interest shareholders of subsidiary	- 141	- 2,855
<b>Net cash used in investing activities</b>	<b><u>- 545,815</u></b>	<b><u>171,188</u></b>
<b>Cash flows from financing activities:</b>		
Increase(Decrease) in short-term borrowings	-1,283,615	-1,122,100
Increase in Long-term debt	300,000	138,000
Decrease in Long-term debt	- 530,000	-
Cash dividends paid for common stock	- 380,107	- 449,416
Decrease in minority interest		
<b>Net cash used in financing activities</b>	<b><u>-1,893,722</u></b>	<b><u>-1,433,516</u></b>
<b>Effect of exchange rate change on cash</b>	<b><u>23,154</u></b>	<b><u>- 15,204</u></b>
<b>Net increase in cash and cash equivalents</b>	<b><u>- 331,959</u></b>	<b><u>- 623,958</u></b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>1,231,406</u></b>	<b><u>1,678,038</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 899,447</u></b>	<b><u>1,054,080</u></b>