

# Wistron Corporation

## Investor presentation





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# Company Overview

## Section 1





# Company overview

**The leading provider of Design, Manufacturing and After-sales Service support for ICT products**

- ◆ Spin-off in 2002
- ◆ Listed on the TSE in 2003
- ◆ #28 “Global Info Tech 100” – Business Week<sup>1</sup>
- ◆ #3 “Best Overall Corporate Governance--Taiwan” – Asia Money<sup>2</sup>
- ◆ Market Cap - NT\$82 billion (US\$2.5B)<sup>3</sup>
- ◆ Acer Shareholding – 9.35%<sup>4</sup>

Key financials <sup>5</sup>	2004	2005 <sup>6</sup>	2006	1H'07 <sup>6</sup>
Revenue	116,752	164,732	221,054	109,882
Gross Profit	6,487	10,581	14,744	7,346
<i>Gross Margin</i>	5.6%	6.4%	6.7%	6.7%
Operating Profit	600	3,802	6,959	2,935
<i>Operating Margin</i>	0.5%	2.3%	3.1%	2.7%
PBT	(985)	3,275	6,524	2,934
PAT	(824)	3,182	5,327	2,451

Note:

1. July 2007 issue of Business Week

2. Dec 2006 issue of Asia Money magazine

3. As of close of trading at Aug. 29, 2007

4. Inclusive of indirect holdings of Acer Investments as of March 31, 2007

5. Consolidated financial statements

6. Under ROC SFAS NO.7, 2005 financials include consolidation impact of Wistron NeWeb, and 1H'07 financials include consolidation impact of AOpen.



# Wistron's strategy

**Pursue best performance, not biggest -  
Generate profitable growth**

**+**

**Drive for more high-value business  
opportunities -  
Reach top rank in desired business**

**+**

**Continue to enhance operation efficiency**

**+**

**Alliance -  
Cost down through vertical integration**



**wistron<sup>®</sup>**



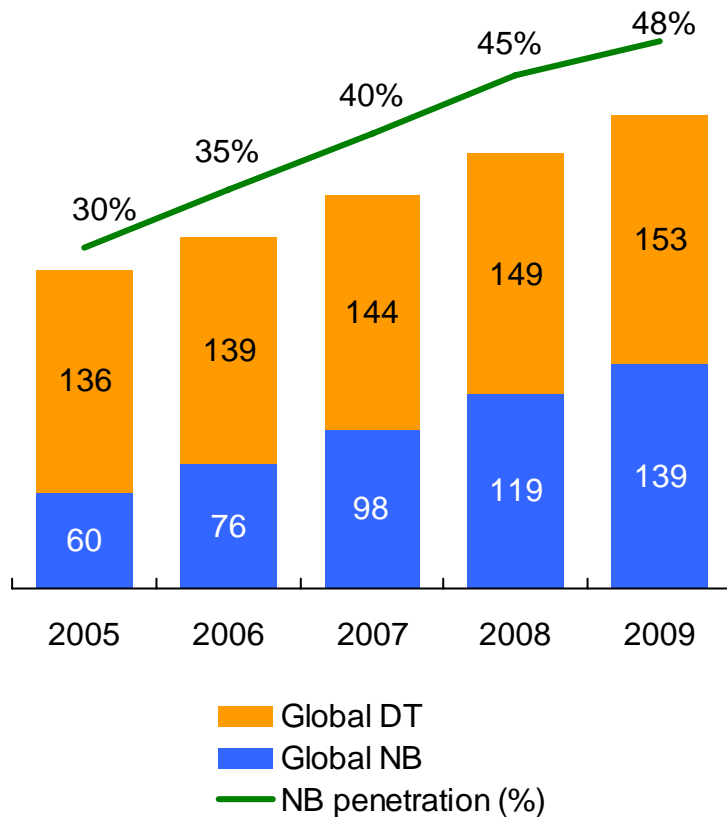
# Key investment highlights

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- 1** Steady industry growth outlook
- 2** Well-established foundation in notebooks
- 3** Growth strategy beyond notebooks
- 4** Well-diversified tier 1 customer base
- 5** Strong R&D and efficient manufacturing and services platform
- 6** Strong financial performance and superior balance sheet management

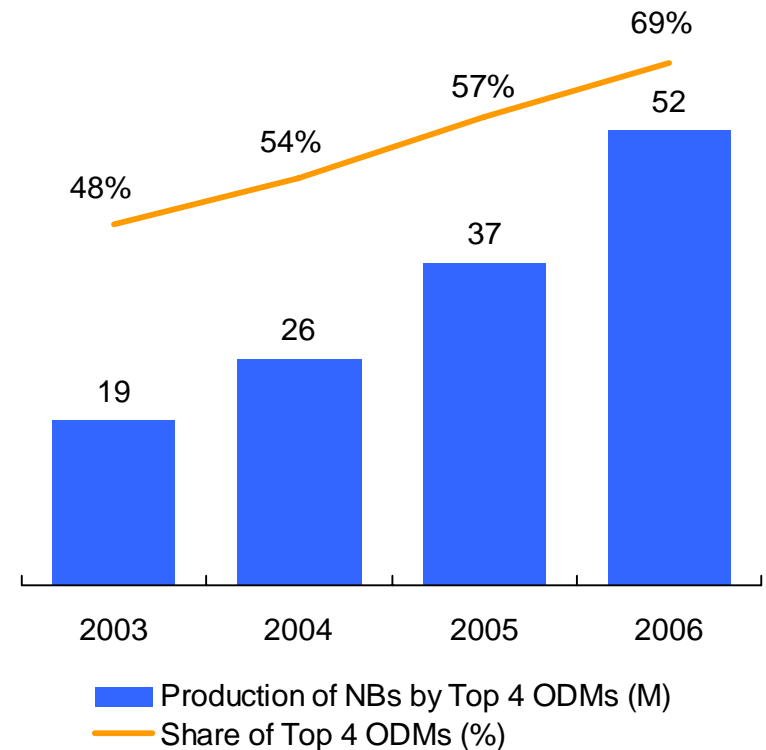
# Strong growth outlook for the NB market

Notebooks - 24% 4 year CAGR



Source: IDC, June 2007

Strong growth outlook for Top ODMs



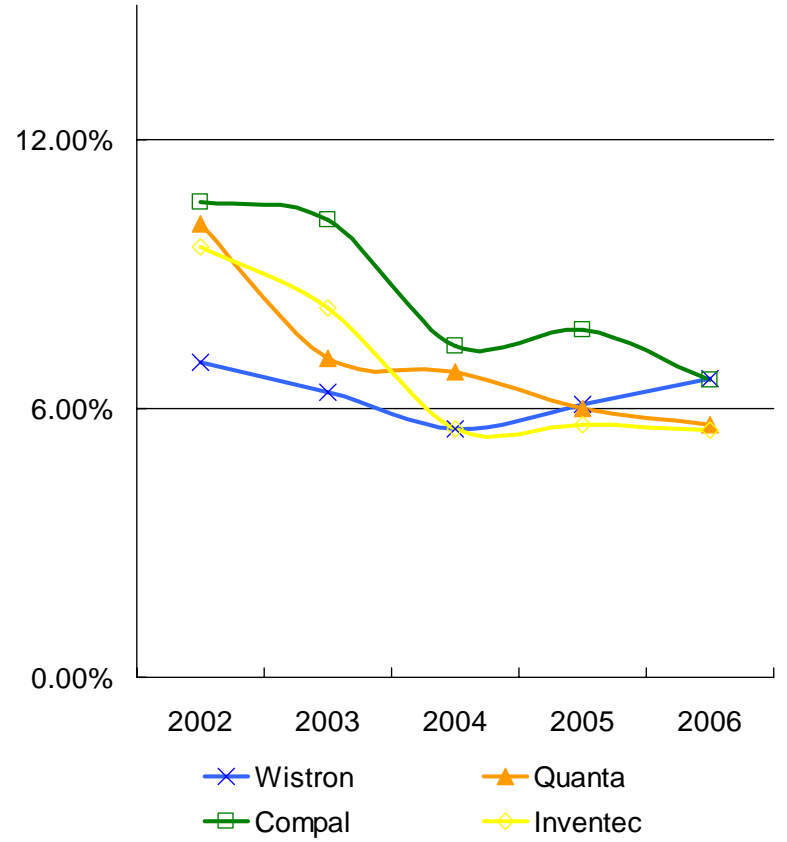
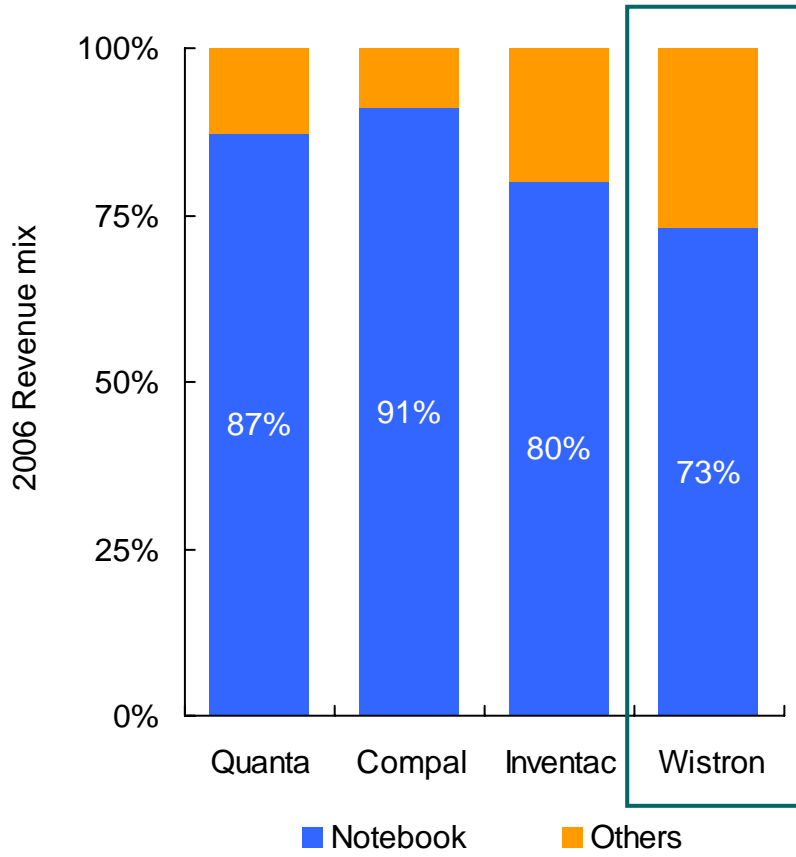
Source: Gartner

# Diversified product mix leading to stable margins



**More diversified revenue mix**

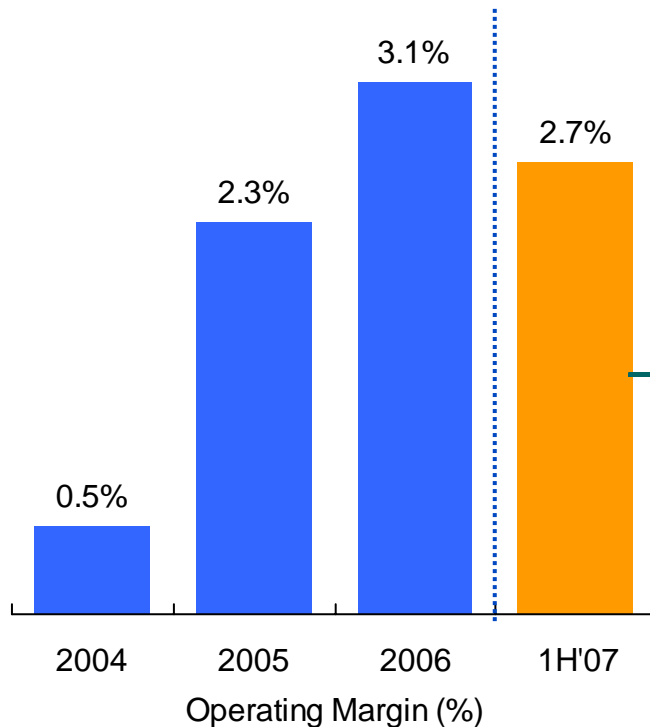
**Better GM trend vs. peers'**



Source: TSEC Market Observation Post System

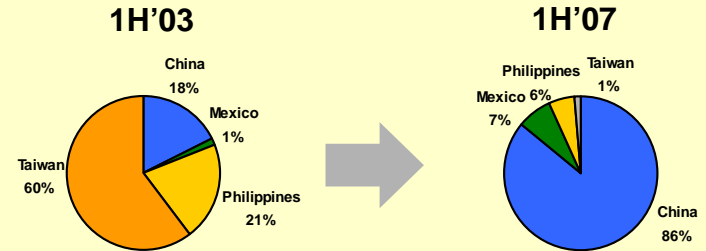
# Cost control and efficiency improvement strategy taking effect

Substantial gain in cost and opex efficiency



Source: Company consolidated financials

## Manufacturing consolidation



## Diversified product portfolio

- ◆ De-emphasis on low margin MBs and PDAs
- ◆ Mix with more high-margin innovative products

## Increasing economies of scale

- ◆ Emergence as core supplier for top OEMs
- ◆ Tier 1 ODM procurement power due to scale and product focus

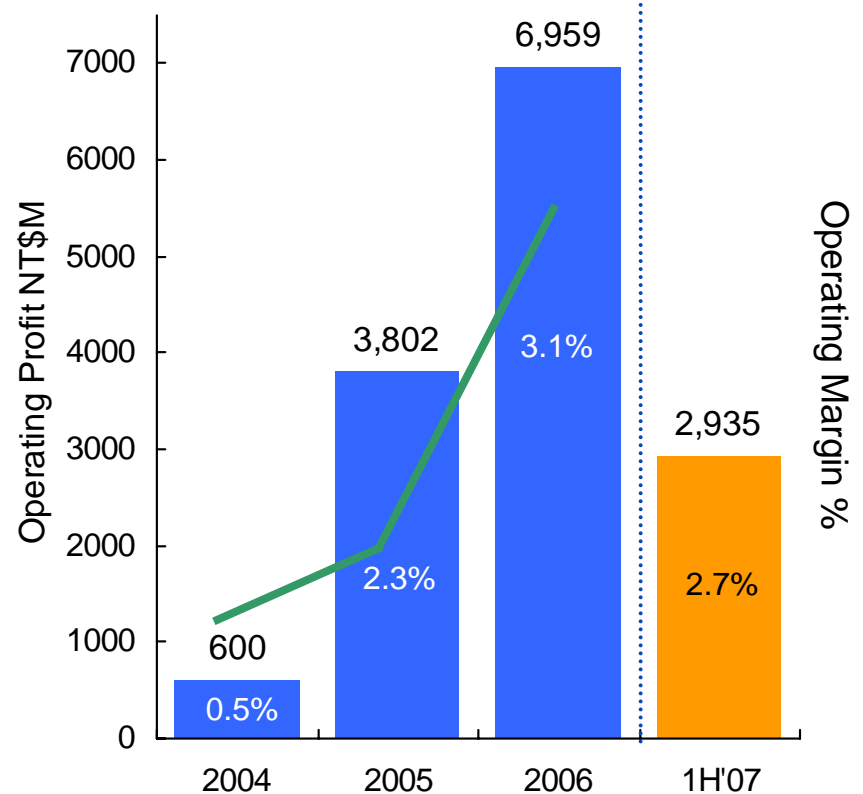
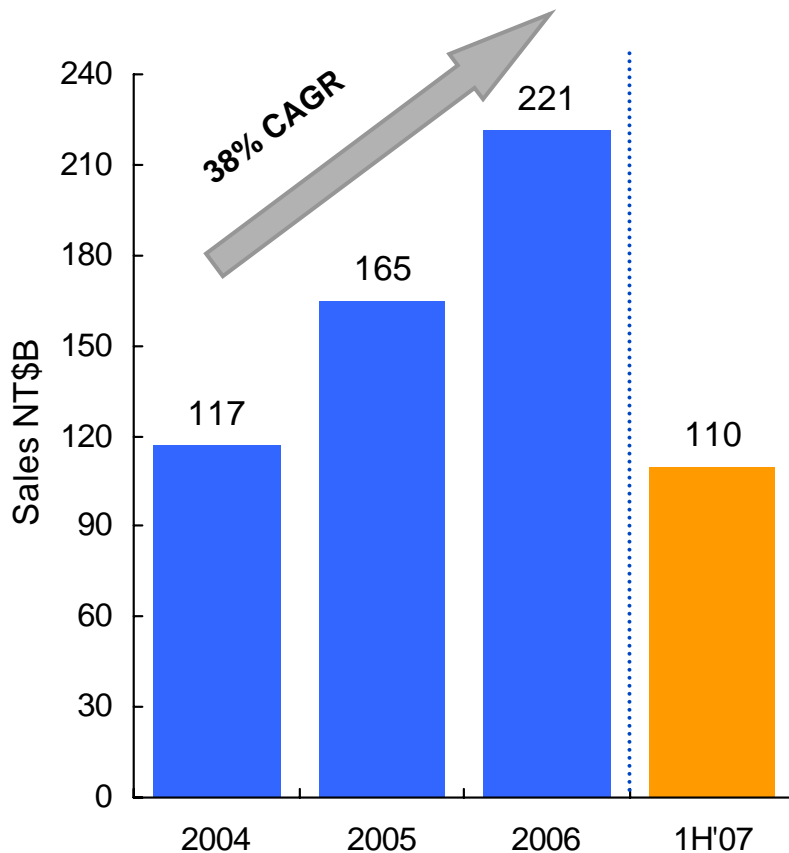
## Improving production efficiency

- ◆ Apply 6-Sigma to achieve better operation quality - Inventory, production yield, SMT output/utilization...

# Track record of strong financial performance

Strong growth momentum in sales

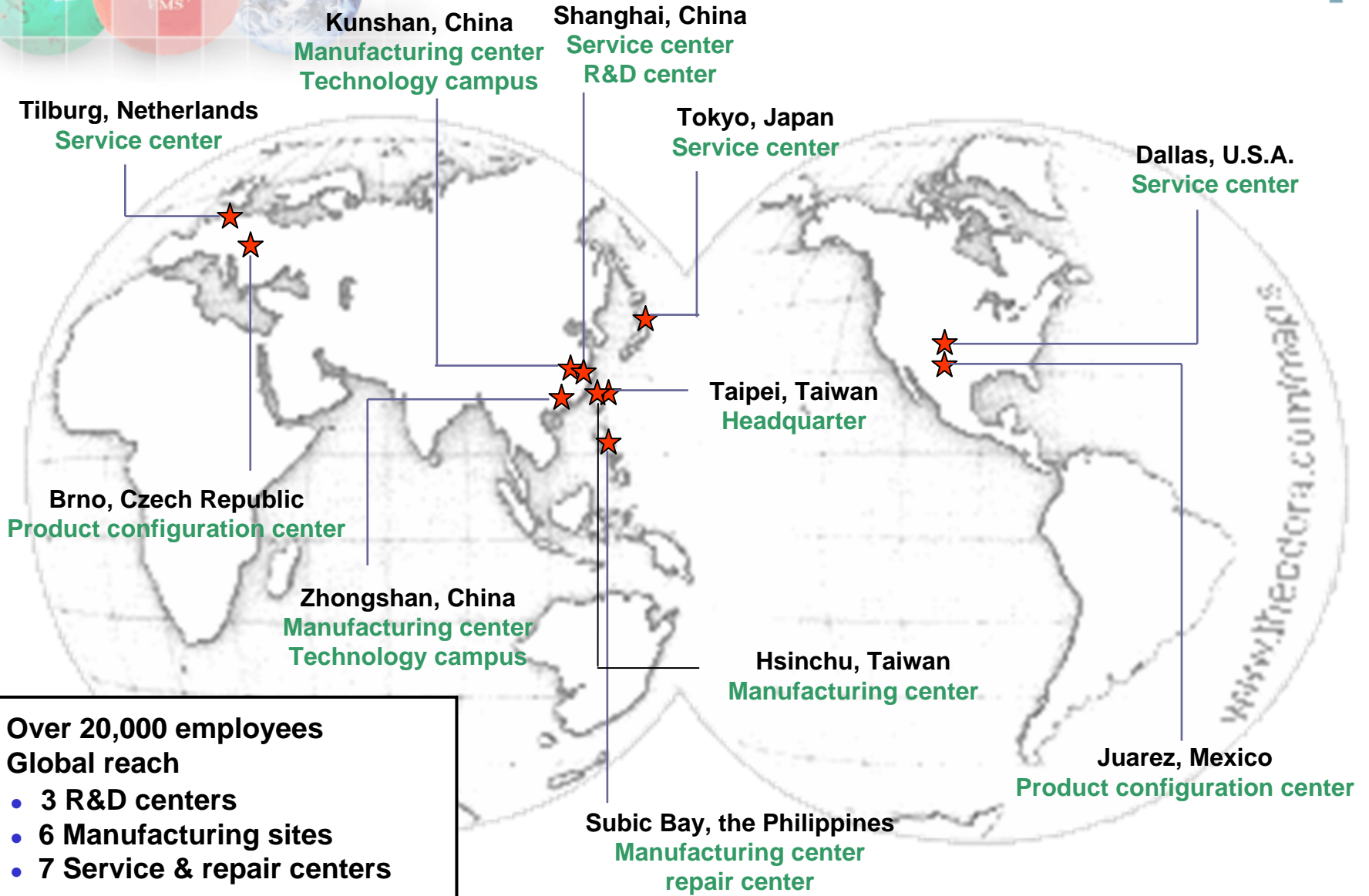
Continuously improving profitability



Source: Company consolidated financials



# Wistron's global network with total solution

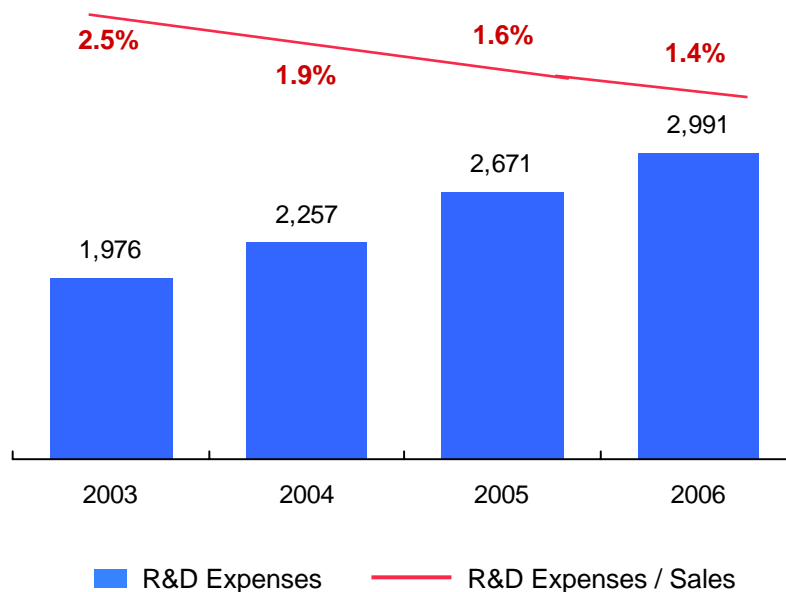


- Over 20,000 employees
- Global reach
  - 3 R&D centers
  - 6 Manufacturing sites
  - 7 Service & repair centers

# Strong commitment to R&D

Sustained R&D spending with continual efficiency enhancements

## Key R&D focus



- ◆ Designing and developing new products and technologies, value-added features and functions
- ◆ Improving enclosure design including appearance, texture and “fit and finish”
- ◆ Developing innovative, practical and high-quality manufacturing processes to improve efficiency and reduce costs
- ◆ R&D team                      Over 4,000\*
- ◆ Locations                      Taipei, Shanghai Region

Source: Company consolidated financials

\* R&D headcount including engineers

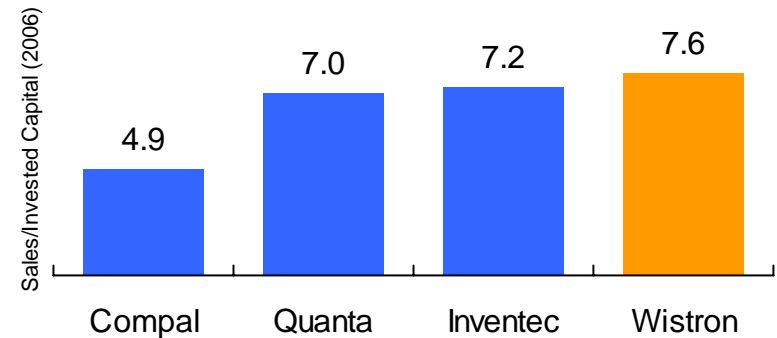


# Superior balance sheet management

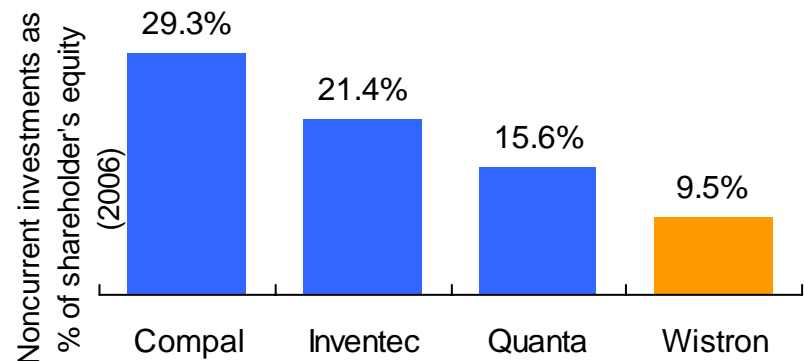
(NT\$M)	2005	2006	1H'07
<b>Total assets</b>	<b>65,082</b>	<b>73,652</b>	<b>81,271</b>
<b>Total debt</b>	<b>3,892</b>	<b>2,862</b>	<b>5,763</b>
<b>Shareholders' equity</b>	<b>25,042</b>	<b>28,829</b>	<b>29,998</b>
<b>LT investments</b>	<b>2,409</b>	<b>2,727</b>	<b>3,720</b>
<b>D/E</b>	<b>16%</b>	<b>10%</b>	<b>19%</b>
<b>Net Debt / Equity</b>	<b>-28%</b>	<b>-33%</b>	<b>-3%</b>

Source: Company consolidated financials  
TSEC Market Observation Post System

## More efficient utilisation of capital



## Higher focus on core business



# Financial Summary

## Section 2



# Consolidated Income Statements

NT\$ M	2004		2005		2006		1H'07	
Net Revenue	116,752		164,732		221,054		109,882	
Realized gross profit	6,488	5.56%	10,581	6.42%	14,745	6.67%	7,346	6.69%
Operating Expenses								
Selling	(2,573)	-2.20%	(3,120)	-1.89%	(3,623)	-1.64%	(1,765)	-1.61%
Administrative	(1,058)	-0.91%	(988)	-0.60%	(1,171)	-0.53%	(722)	-0.66%
Research and Development	(2,257)	-1.93%	(2,671)	-1.62%	(2,991)	-1.35%	(1,924)	-1.75%
Total Operating Expenses	(5,888)	-5.04%	(6,779)	-4.12%	(7,785)	-3.52%	(4,412)	-4.01%
Operating Income	600	0.51%	3,802	2.31%	6,959	3.15%	2,935	2.67%
Non-operating Income/(Loss)								
Interest Expense, net	(181)		(526)		(989)		(314)	
Investment Income/(Loss)	(444)		(288)		152		145	
Exchange Gain/(Loss), net	(12)		(199)		268		57	
Other Income/(Expense)	(947)		486		133		111	
PBT	(985)		3,276		6,524		2,934	
Tax	14		(39)		(1,249)		(490)	
Minority Interest	140		(54)		52		7	
PAT	(823)		3,182		5,327		2,451	
Outstanding Shares (M)	9,493		1,178		1,272		1,382	

# 2007 Q2 vs. 2007 Q1 & 2006 Q2 (Unconsolidated)

NT\$ M	Q2'07		Q1'07		QoQ	Q2'06		YoY
Net Revenue	55,150		51,597		6.89%	47,915		15.10%
Realized gross profit	3,504	6.35%	3,003	5.82%	16.67%	3,851	8.04%	-9.00%
Operating Expenses								
Selling	(686)	-1.24%	(667)	-1.29%	2.93%	(843)	-1.76%	-18.63%
Administrative	(313)	-0.57%	(196)	-0.38%	59.29%	(183)	-0.38%	70.71%
Research and Development	(999)	-1.81%	(848)	-1.64%	17.73%	(704)	-1.47%	41.88%
Total Operating Expenses	(1,998)	-3.62%	(1,711)	-3.32%	16.73%	(1,730)	-3.61%	15.45%
Operating Income	1,506	2.73%	1,292	2.50%	16.58%	2,120	4.42%	-28.95%
Non-operating Income/(Loss)								
Interest Expense, net	(71)		(57)			(154)		
Investment Income/(Loss)	176		51			(118)		
Exchange Gain/(Loss), net	(46)		(48)			(71)		
Other Income/(Expense)	48		50			16		
PBT	1,613		1,289		25.15%	1,792		-10.01%
Tax	(258)		(193)			(258)		
PAT	1,355		1,096		23.60%	1,535		-11.74%
Outstanding Shares (M)	1,382		1,272			1,272		

## ▶ Single Balance Sheets

NT\$M	2007/6/30		2007/3/31		2006/6/30	
Cash & ST Investments	4,650	8%	12,662	23%	11,080	21%
A/R	33,466	56%	23,942	43%	21,408	41%
Inventory	3,691	6%	2,618	5%	3,999	8%
Other current Assets	3,576	6%	3,041	5%	4,012	8%
<b>Total Current Assets</b>	<b>45,383</b>	<b>76%</b>	<b>42,262</b>	<b>75%</b>	<b>40,498</b>	<b>77%</b>
LT equity investments	10,175	17%	9,445	17%	7,771	15%
Property, plant and equipment	3,093	5%	2,974	5%	2,834	5%
Other assets	909	2%	1,365	2%	1,405	3%
<b>Total Assets</b>	<b>59,560</b>	<b>100%</b>	<b>56,047</b>	<b>100%</b>	<b>52,508</b>	<b>100%</b>
ST Borrowing	-	0%	-	0%	-	0%
A/P	23,126	39%	20,452	36%	20,228	39%
Other current liabilities	7,065	12%	5,010	9%	6,263	12%
<b>Total Current Liabilities</b>	<b>30,192</b>	<b>51%</b>	<b>25,462</b>	<b>45%</b>	<b>26,490</b>	<b>50%</b>
LT & Other liabilities	129	0%	125	0%	3	0%
<b>Total Liabilities</b>	<b>30,321</b>	<b>51%</b>	<b>25,587</b>	<b>46%</b>	<b>26,493</b>	<b>50%</b>
Shareholders' Equity	29,239	49%	30,460	54%	26,015	50%

# Consolidated Balance Sheets

NT\$M	2007/6/30*		2006/12/31		2006/6/30	
Cash & ST Investments	6,703	8%	12,722	17%	12,328	17%
A/R	32,335	40%	22,477	31%	19,475	27%
Inventory	17,703	22%	14,044	19%	16,766	24%
Other current Assets	5,643	7%	7,312	10%	5,516	8%
<b>Total Current Assets</b>	<b>62,385</b>	<b>77%</b>	<b>56,554</b>	<b>77%</b>	<b>54,086</b>	<b>76%</b>
LT equity investments	3,720	5%	2,727	4%	2,398	3%
Property, plant and equipment	12,812	16%	11,993	16%	11,677	16%
Other assets	2,354	3%	2,378	3%	2,689	4%
<b>Total Assets</b>	<b>81,271</b>	<b>100%</b>	<b>73,652</b>	<b>100%</b>	<b>70,851</b>	<b>100%</b>
ST Borrowing	5,763	7%	2,805	4%	6,064	9%
A/P	36,877	45%	35,834	49%	31,130	44%
Other current liabilities	8,468	10%	6,006	8%	7,068	10%
<b>Total Current Liabilities</b>	<b>51,107</b>	<b>63%</b>	<b>44,645</b>	<b>61%</b>	<b>44,262</b>	<b>62%</b>
LT & Other liabilities	166	0%	178	0%	446	1%
<b>Total Liabilities</b>	<b>51,273</b>	<b>63%</b>	<b>44,823</b>	<b>61%</b>	<b>44,708</b>	<b>63%</b>
Shareholders' Equity & Minority Interest	29,998	37%	28,829	39%	26,143	37%

# Cash Flows

NT\$M	Single		Consolidated	
	1H'07	2006	1H'07	2006
<b>Cash* (Beginning of period)</b>	<b>10,899</b>	<b>8,653</b>	<b>12,722</b>	<b>6,335</b>
<b>Cash flow from Operation</b>				
Net income	2,451	5,327	2,444	3,236
Depreciation & amortization	519	788	1,314	1,840
Loss (Income) from equity method	(227)	(57)	(145)	288
Others	(7,590)	1,534	(10,320)	(1,346)
<b>Cash provided by operating activities</b>	<b>(4,848)</b>	<b>7,591</b>	<b>(6,707)</b>	<b>4,018</b>
<b>Cash flow from Investment</b>				
Capex	(1,096)	(1,093)	(1,909)	(4,410)
Others	(1,030)	(2,074)	(987)	686
<b>Cash provided by investing activities</b>	<b>(2,126)</b>	<b>(3,167)</b>	<b>(2,896)</b>	<b>(3,724)</b>
<b>Cash flow from Finance</b>				
Increase (decrease) in borrowings & debts	-	-	2,249	490
Issuance of common stock	-	14	-	14
Increase (decrease) in convertible bonds payable	-	(284)	-	4,874
Cash dividends to shareholders	-	(1,765)	-	-
Employee bonus	-	(114)	-	-
Directors' and supervisors' remuneration	726	(29)	726	-
Others	-	-	609	(1,161)
<b>Cash provided by financing activities</b>	<b>726</b>	<b>(2,178)</b>	<b>3,584</b>	<b>4,217</b>
<b>Cash (End of period)</b>	<b>4,650</b>	<b>10,899</b>	<b>6,703</b>	<b>10,845</b>

\* Cash = Cash + Cash equivalent + ST financial instruments (available-for-sale financial assets - current)

\* Consolidated and non-consolidated factored amount reduced from US\$611M and US\$458M of Dec. 31, 2006 to 20 US\$181M and US\$163M of Jun. 30, 2007, respectively.



# Historical Earning Distribution

- Dividend

	2002	2003	2004	2005	2006
Stock (NT\$)	0.5	0.5	-	0.5	<b>0.6</b>
<b>Cash (NT\$)</b>	<b>0.5</b>	<b>0.5</b>	<b>-</b>	<b>1.5</b>	<b>2.2</b>
Diluted EPS (NT\$)	2.70	1.68	(0.89)	3.02	<b>4.31</b>
<b>Total Dividend Payout (%)</b>	<b>37%</b>	<b>60%</b>	<b>-</b>	<b>66%</b>	<b>65%</b>
<b>Cash Dividend Payout (%)</b>	<b>19%</b>	<b>30%</b>	<b>-</b>	<b>50%</b>	<b>51%</b>

- Employee Bonus Dilution

	2003	2004	2005	2006
PBT (NT\$M)	1,568	(834)	3,212	<b>6,524</b>
Cash Bonus (NT\$M)	-	-	114	<b>144</b>
Stock Bonus (000' Shares)	14,450	-	17,148	<b>33,492</b>
Average share price of December	27.2	14.1	41.9	<b>44.5</b>
<b>Employee Bonus / PBT</b>	<b>25.1%</b>	<b>0.0%</b>	<b>25.9%</b>	<b>25.1%</b>