

# Wistron Corporation

## Investor Presentation





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# Company Overview

## Section 1



# Company overview



2009

- ◆ **Jun-09:** Business Week “Global Info Tech 100” (Rank #8)<sup>1</sup>

2008

- ◆ **Jun-09:** Business Week “Taiwan Info Tech 100” (Rank #1)<sup>1</sup>

- ◆ **Sep-09:** One of the Asian Fabulous 50 “The Best of Asia-Pacific's Biggest Listed Companies” – Forbes<sup>2</sup>

2007

2006

- ◆ **Dec-06:** Asia Money “Best Overall Corporate Governance in Taiwan” (Rank #3)<sup>3</sup>

2005

2004

- ◆ **Aug-03:** Listed on Taiwan Stock Exchange

2003

- ◆ **Feb-02:** Spun off from Acer to take over its Design, Manufacturing & Services division

2002

- ◆ Acer shareholding - ~4%

## Company snapshot

- ◆ **Key products:** Notebook (“NB”) PCs, desktop (“DT”) PCs, LCD TVs, LCD monitors, handheld devices, servers, storage devices and services
- ◆ **Employees:** over 40,000<sup>4</sup>

## Key financials (NT\$bn)

	2006	2007 <sup>5</sup>	2008 <sup>5</sup>	1-3Q'09
<b>Revenue</b>	221.1	286.8	445.1	386.2
<b>Growth (%)</b>	34.2%	29.7%	55.2%	28.4%
<b>Gross profit</b>	14.7	18.4	24.9	21.2
<b>Gross margin (%)</b>	6.7%	6.4%	5.6%	5.5%
<b>Operating profit</b>	7.0	8.0	8.6	7.4
<b>Operating margin (%)</b>	3.1%	2.8%	1.9%	1.9%
<b>Net income<sup>6</sup></b>	5.3	6.6	6.9	6.0
<b>Net margin (%)</b>	2.4%	2.3%	1.5%	1.6%

Source: Company

Note: <sup>1</sup> June 2009 issue of Business Week

<sup>2</sup> Recognized by Forbes from 2007-2009

<sup>3</sup> December 2006 issue of Asia Money magazine

<sup>4</sup> As of Dec 31, 2009

<sup>5</sup> Under ROC SFAS No.7, financials include consolidation impact of AOpen from year 2007 onwards

<sup>6</sup> After minority interest



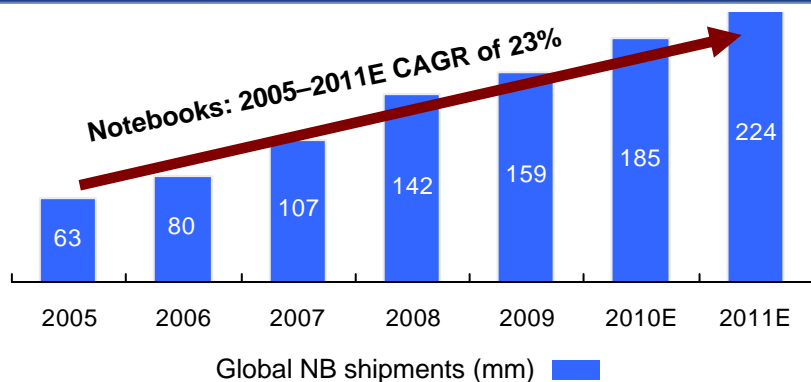
# Investment highlights



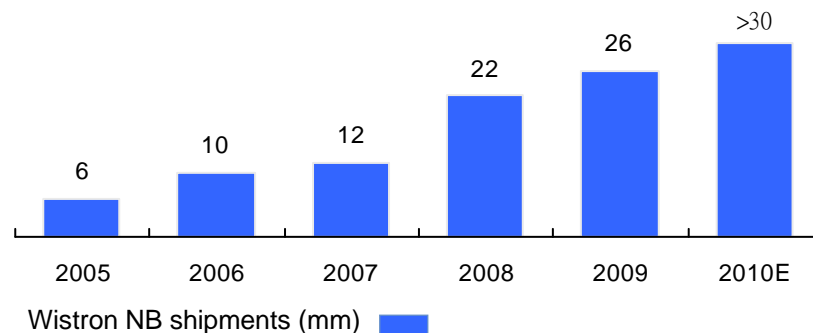
# Well established market position in notebook

## ODM

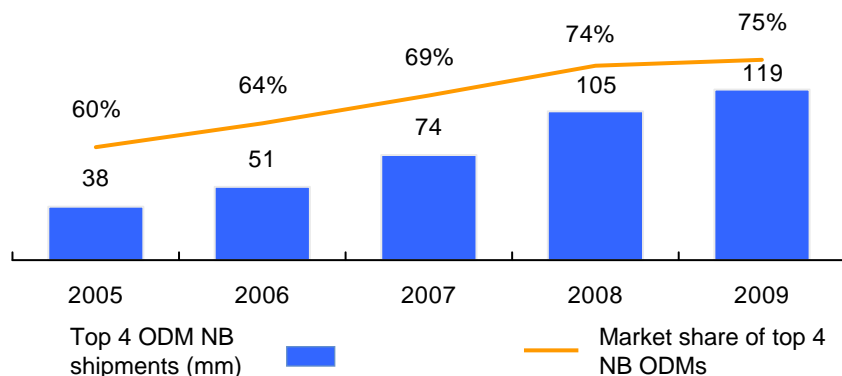
### Global notebook industry shipments (mm units)



### Wistron has well established market position in NB ODM industry



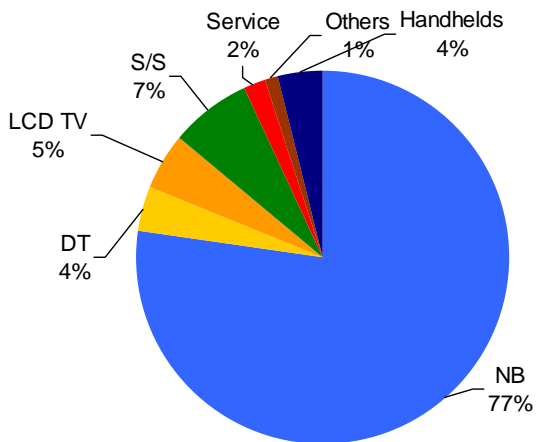
### Strong performance of top 4 NB ODMs over time



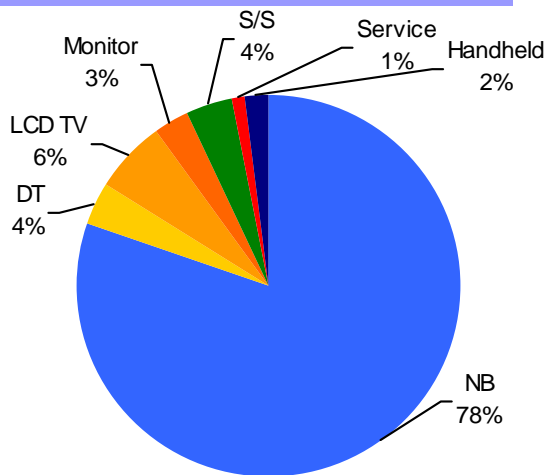
- ◆ Well established top 3 market position in global NB ODM industry
- ◆ Wistron's winning strategy has resulted in increase in its global mainstream NB ODM market share from 10% in 2005 to 19% in 2009
  - Strong design ability leads to more high-end products
  - Better performance yields more order wins
  - Cost advantage given economies of scale

# But Wistron not just a NB PC manufacturer

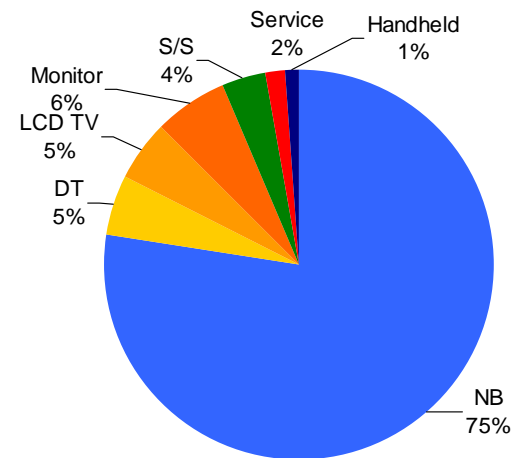
2007 : NT\$288.4B



2008 : NT\$445B

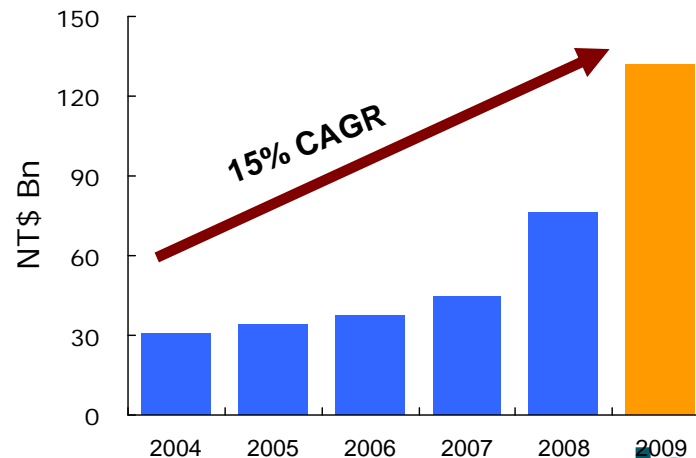


2009 : NT\$547B

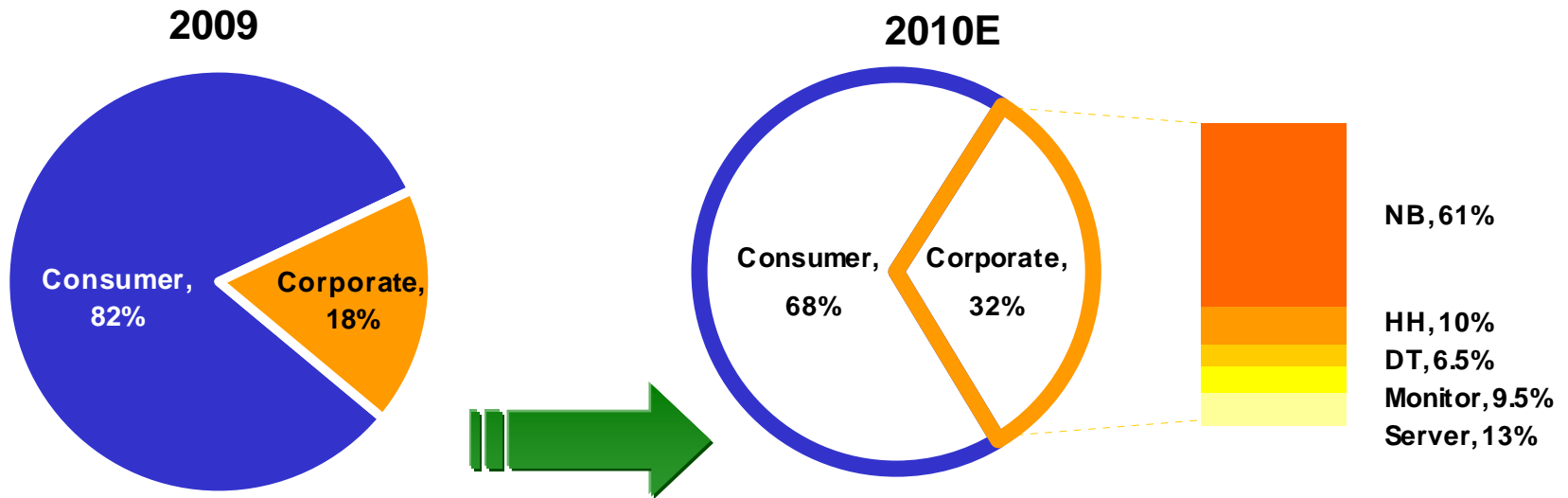


- ◆ Notebook PC remains one of the major growth drivers for the Company
- ◆ Other product lines (Display, Handheld devices, Desktop, Server/storage, VOIP, IPC and After-sales services) are also growing on track

## Non-NB Revenue Trend



# A potential beneficiary for the next corporate replacement cycle

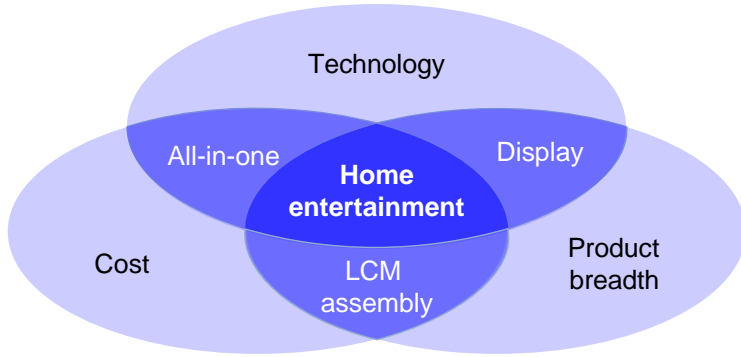


- Global Economic Recovery
- Increasing IT Spending
- Upgrade cycle for Windows 7

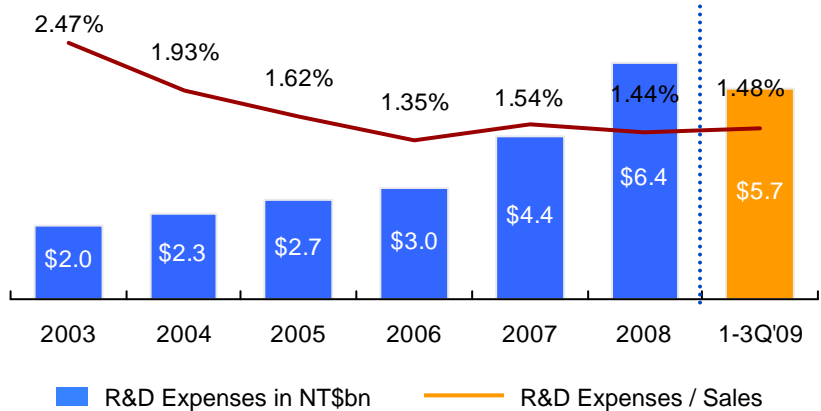
# Leading innovation supported by R&D, design and quality



## Formidable home entertainment platform due to innovation



## Sustained R&D spending



Source: Company data

## Key R&D focus

- InnoValue** {
  - Innovation - Scope, spec, features
  - Value - Cost, budget
- QualiSpeed** {
  - Quality - Reliability, ease-of-use
  - Speed - Schedule, time to market

## Innovative Display Technology



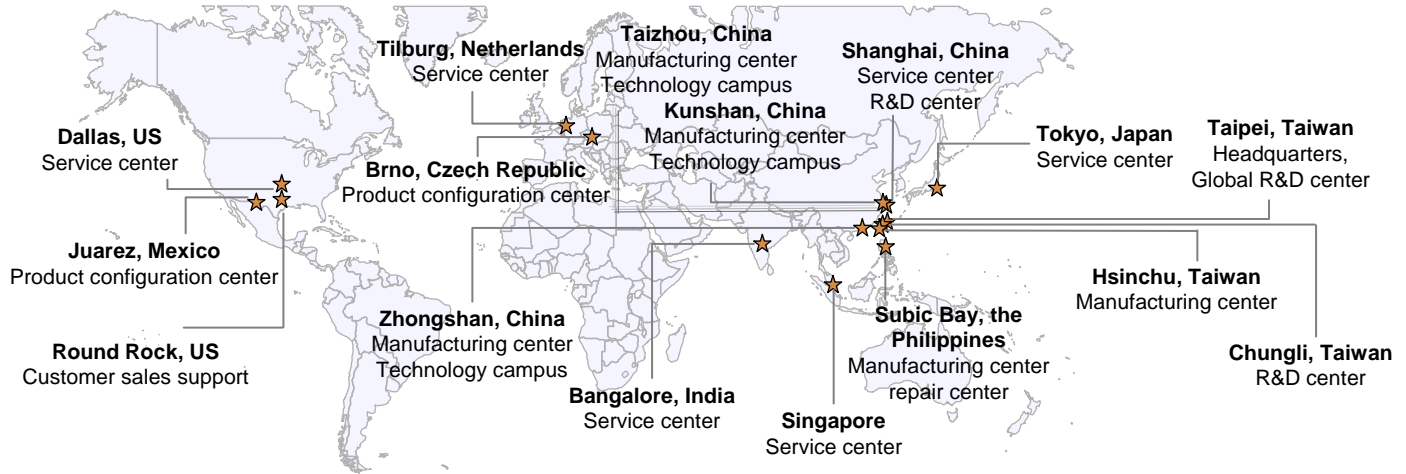
## Industry recognition

- Won the CES Best of Innovations 2008 in the Computer Hardware Category
- Time Magazine's Best Inventions edition listed 3 NB PCs in its Tech Buyer's Guide, 3/3 made by Wistron
- Won Best Product of the Year awards for 2006 from both PC World and PC Magazine

# Globally synchronized manufacturing and service infrastructure

## Wistron's manufacturing and after sales service centers footprint

- ◆ Unparalleled global manufacturing and service footprint
- ◆ Strategically located operations to support customers' product development requirements



Production

Research & Development

Service

Global **SAP** system to fully integrate various functions around the globe



Kunshan, China



Zhongshan, China

- ◆ Mass production at low-cost production facilities in the PRC



Taipei, Taiwan

- ◆ Centralized research and development at headquarters in Taiwan



Dallas, US

- ◆ Final configuration and after-sale service centers located close to our customers



Tokyo, Japan

Source: Company

# Operational efficiency and reduce costs

## Business Reorganization

- ◆ Individual business units entrusted with end-to-end responsibilities focusing on customer needs
- ◆ Regular communication between business units

Services Business Unit

Product quality feedback from customers

Mobile Business Group

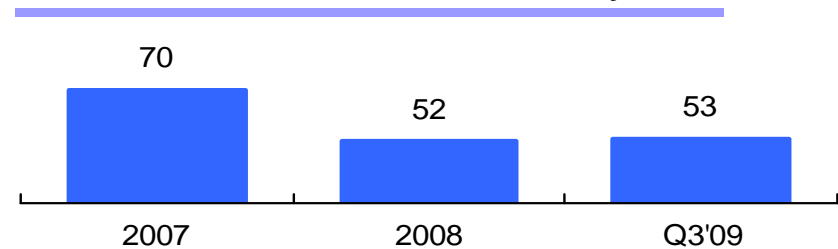
Digital Consumer Business Group

Enterprise Business Group

## Notes and accounts receivable management

- ◆ Help leverage on credits of our global leading OEM customers
- ◆ Expect to factor up to 40% of receivables

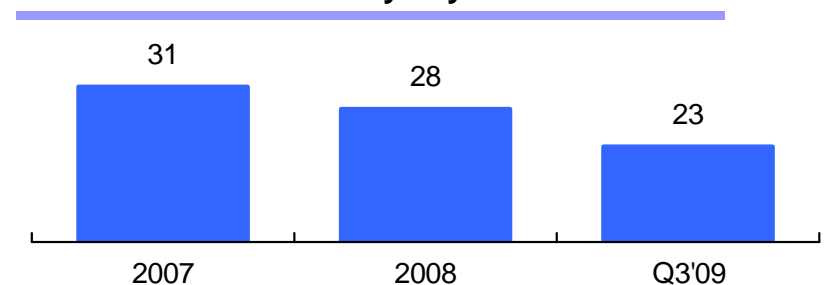
Notes and accounts receivable days



## Inventory management

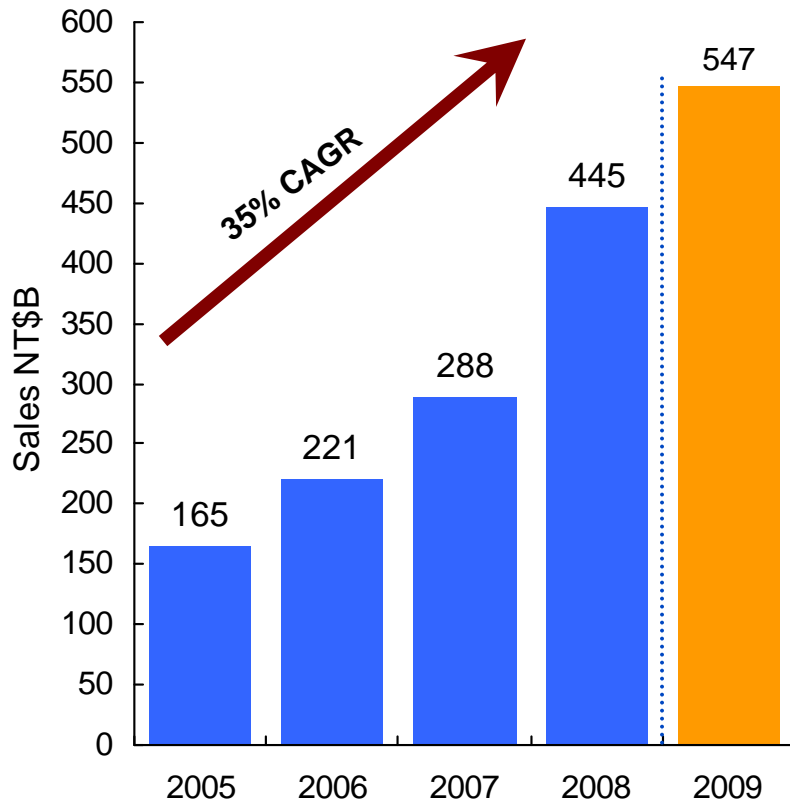
- ◆ Maintain inventories of key components on a just-in-time basis
- ◆ Improve product design and manufacturing process through R&D

Inventory days

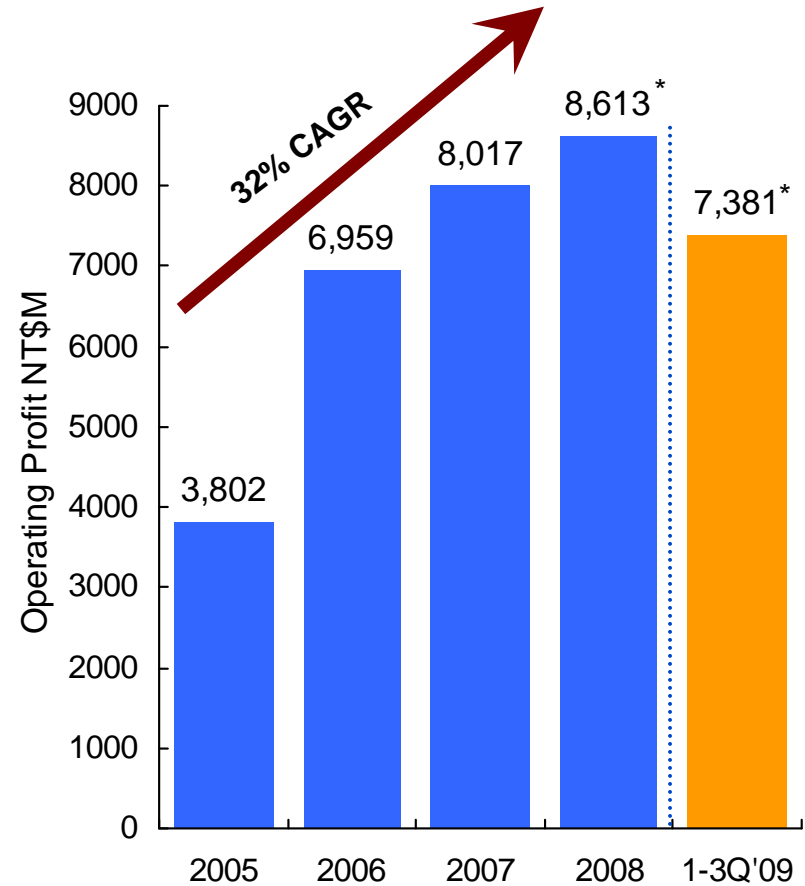


# Track record of strong financial performance (1)

Strong growth momentum in sales



Continuously improving profitability



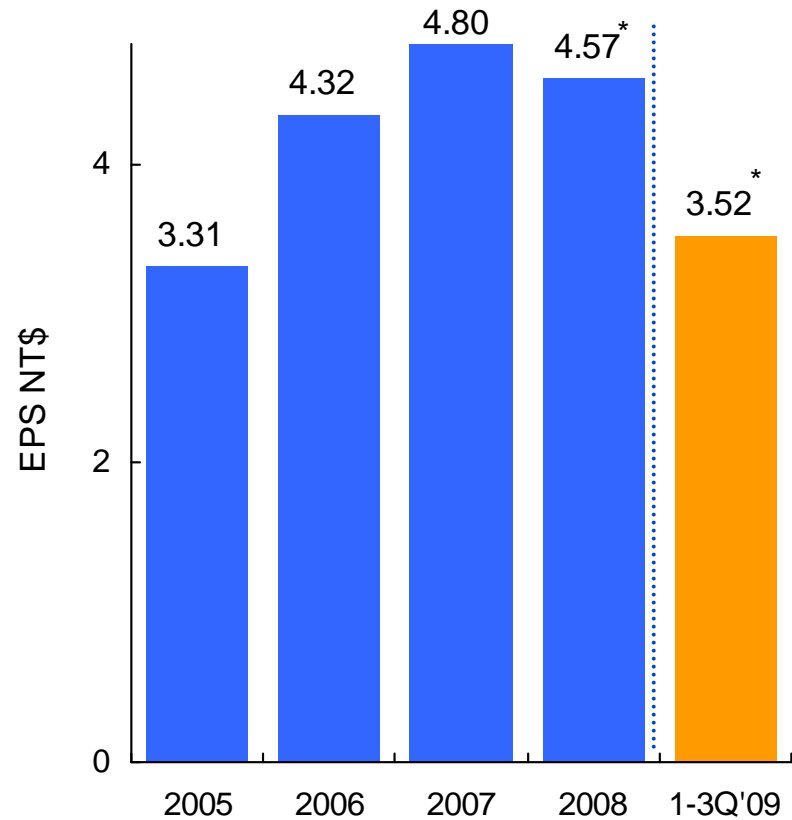
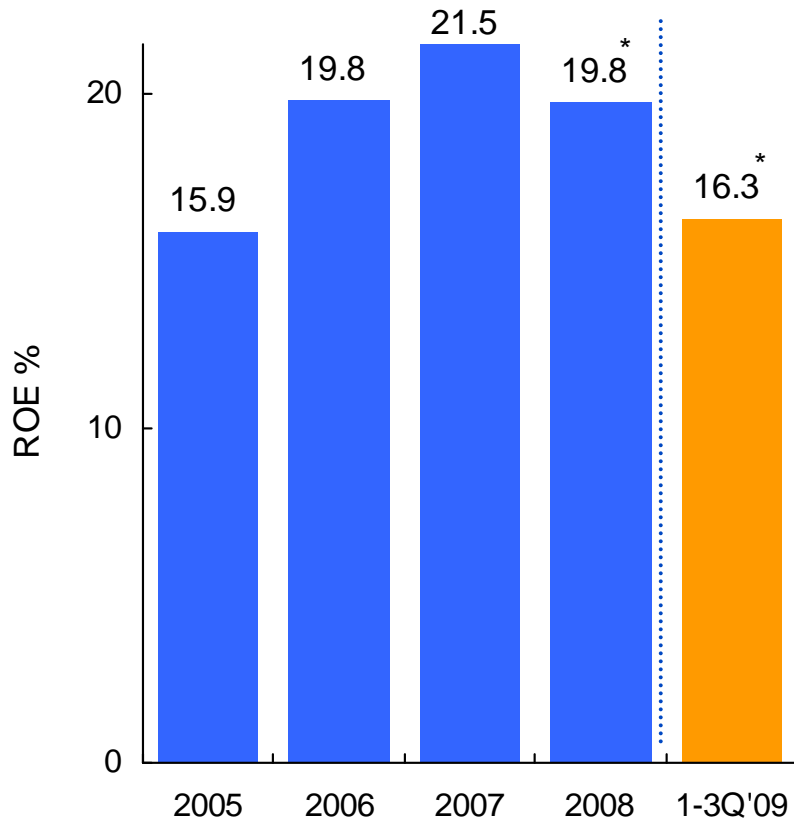
\* Wistron booked NT\$ 820 million and 1,044 million of employee bonus expense (for both employee bonus and director remuneration) in 1-3Q'09 and 2008 respectively. Before the booking, the operating income should be NT\$ 8,201 million and 9,657 million

Source: Company consolidated financials

# Track record of strong financial performance (2)

ROE

EPS



\*Before bonus expense: 2008    1-3Q'09  
 ROE    20.5%    18.1%  
 EPS NT\$    5.14    3.96



# Superior balance sheet management

(NT\$M)

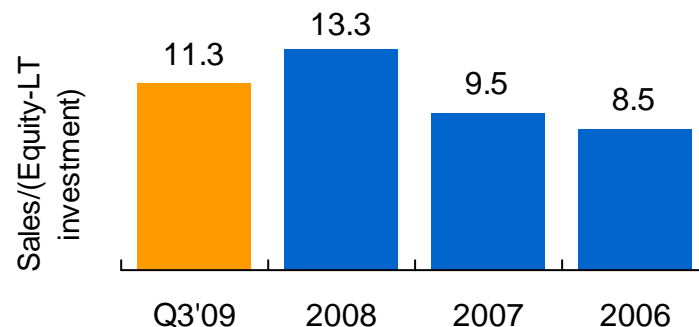
2007

2008

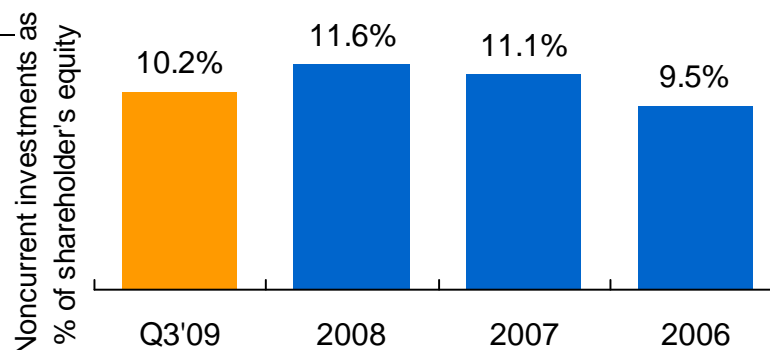
Q3'09

Efficient utilisation of capital

Total assets	108,661	139,461	172,301
Net debt (= Total debt - Cash & ST investments)	2,509	(446)	(13,724)
Shareholders' equity	32,738	37,783	50,442
LT investments	3,616	4,388	5,135
Net debt / Equity	8%	-1%	-27%



Higher focus on core business



Source: Company consolidated financials  
TSEC Market Observation Post System



# Historical earning distribution

- Dividend

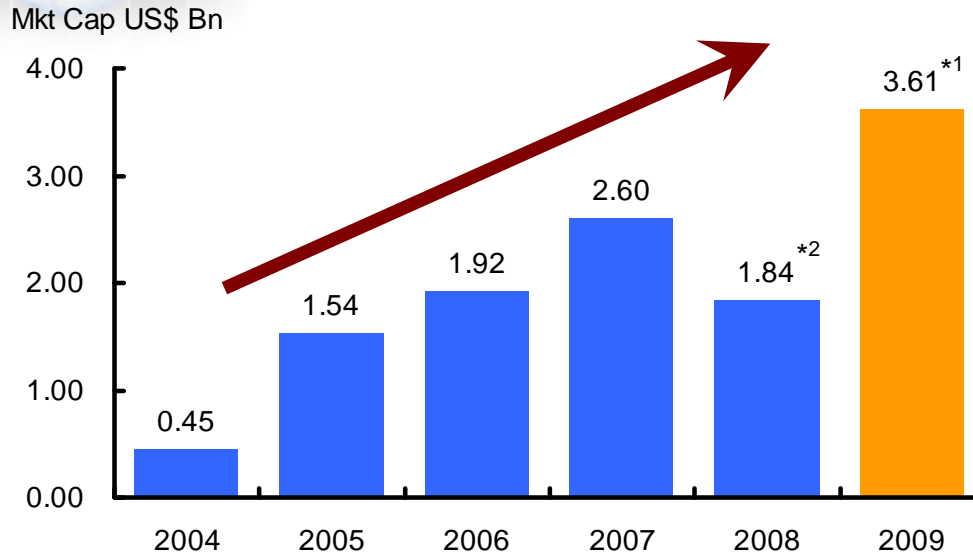
	2003	2004	2005	2006	2007	2008
<b>Stock (NT\$)</b>	0.5	-	0.50	0.6	0.5	<b>\$0.98</b>
<b>Cash (NT\$)</b>	0.5	-	1.50	2.2	2.7	<b>\$0.98</b>
<b>Diluted EPS (NT\$)</b>	1.68	-0.89	3.02	4.31	4.8	<b>4.57</b>
<b>Total Dividend Payout (%)</b>	60%	-	66%	65%	67%	<b>47%</b>
<b>Cash Dividend Payout (%)</b>	30%	-	50%	51%	56%	<b>21%</b>

- Employee Bonus Dilution

	2005	2006	2007	2008
PBT (NT\$M)	3,212	6,574	7,771	<b>8,388</b>
PAT (NT\$M)	3,182	5,327	6,605	<b>6,878</b>
Cash Bonus (NT\$M)	114	144	178	-
Stock Bonus (000' Shares)	17,148	33,492	41,614	<b>20,182</b>
Reference Share Price	41.9	44.5	60.3	<b>48.7</b>
Market Value of Bonus (NT\$M)	833	1,635	2,688	<b>982</b>
<b>Employee Bonus / PBT</b>	<b>25.9%</b>	<b>24.9%</b>	<b>34.6%</b>	<b>11.7%</b>
<b>Employee Bonus / PAT</b>	<b>26.2%</b>	<b>30.7%</b>	<b>40.7%</b>	<b>14.3%</b>

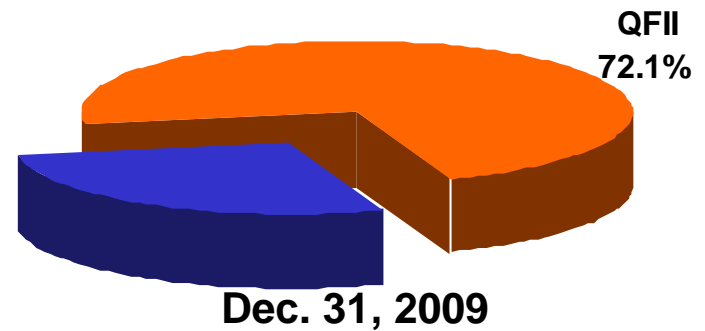
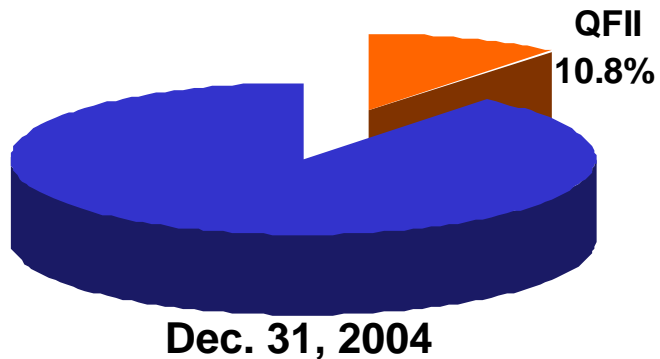


# Growing Market Cap. & QFII Holding



\*1 As of Dec. 31, 2009

\*2 Due to financial crisis



# Financial Summary

## Section 2



# Income statements

NT\$ M	2005		2006		2007		2008*		1-3Q'09*	
Net Revenue	164,732		221,054		286,754		445,118		386,217	
Realized gross profit	10,581	6.42%	14,745	6.67%	18,361	6.40%	24,866	5.59%	21,192	5.49%
Operating Expenses										
Selling	(3,120)	-1.89%	(3,623)	-1.64%	(4,417)	-1.54%	(7,654)	-1.72%	(6,412)	-1.66%
Administrative	(988)	-0.60%	(1,171)	-0.53%	(1,520)	-0.53%	(2,171)	-0.49%	(1,694)	-0.44%
Research and Development	(2,671)	-1.62%	(2,991)	-1.35%	(4,407)	-1.54%	(6,428)	-1.44%	(5,705)	-1.48%
Total Operating Expenses	(6,779)	-4.12%	(7,785)	-3.52%	(10,344)	-3.61%	(16,253)	-3.65%	(13,811)	-3.58%
Operating Income	3,802	2.31%	6,959	3.15%	8,017	2.80%	8,613	1.94%	7,381	1.91%
Non-operating Income/(Loss)										
Interest Expense, net	(526)		(989)		(628)		(662)		(243)	
Investment Income/(Loss)	(288)		152		287		239		183	
Exchange Gain/(Loss), net	(199)		268		(161)		(38)		(41)	
Other Income/(Expense)	486		133		524		705		347	
PBT	3,276		6,524		8,038		8,857		7,626	
Tax	(39)	-1.20%	(1,249)	-19.15%	(1,322)	-16.44%	(1,958)	-22.11%	(1,579)	-20.71%
Minority Interest	(54)		52		(111)		(21)		(30)	
PAT	3,182		5,327		6,605		6,878		6,017	
Outstanding Shares (M)	1,178		1,272		1,382		1,517		1,851	

\* Wistron booked NT\$820 million and 1,044 million of employee bonus expense (for both employee bonus and director remuneration) in 1-3Q'09 and 2008 respectively.

\* Company consolidated financials



# Income Statements (2009 Q3 vs. 2009 Q2 & 2008 Q3)

NT\$ M	Q3'09		Q2'09		QoQ	Q3'08		YoY
<b>Net Revenue</b>	146,452		127,241		15.10%	121,681		20.36%
<b>Realized gross profit</b>	8,250	5.63%	7,376	5.80%	11.85%	6,840	5.62%	20.61%
<b>Selling</b>	(2,251)	-1.54%	(2,311)	-1.82%	-2.61%	(2,116)	-1.74%	6.38%
<b>Administrative</b>	(545)	-0.37%	(549)	-0.43%	-0.78%	(608)	-0.50%	-10.35%
<b>Research &amp; Development</b>	(2,052)	-1.40%	(1,913)	-1.50%	7.27%	(1,642)	-1.35%	24.95%
<b>Total Operation Expenses</b>	(4,848)	-3.31%	(4,773)	-3.75%	1.56%	(4,366)	-3.59%	11.03%
<b>Operating Income</b>	3,403	2.32%	2,603	2.05%	30.72%	2,475	2.03%	37.50%
<b>Non-operating Income/(Loss)</b>								
Interest Expense, net	(47)		(85)			(115)		
LT Investment Income/(Loss), net	58		53			59		
Exchange Gain/(Loss)	(69)		(246)			26		
with Evaluation gain on financial instruments, net								
Other Income/(Expense)	130		36			206		
<b>PBT</b>	3,474		2,361		47.13%	2,650		31.06%
<b>Tax</b>	(736)	-21.20%	(471)	-19.94%	56.34%	(443)	-16.72%	66.20%
<b>Minority Interest</b>	(20)		(14)			(7)		
<b>PAT</b>	2,717		1,876		44.83%	2,200		23.50%
<b>Outstanding Shares (M)</b>	1,851		1,667			1,517		



# Balance Sheets

NT\$M	2009/9/30		2009/6/30		2008/9/30	
Cash & ST Investments	21,942	13%	26,226	17%	10,868	6%
A/R	87,722	51%	66,293	42%	71,959	42%
Inventory	29,033	17%	29,227	19%	47,721	28%
Other current Assets	7,464	4%	9,479	6%	13,625	8%
<b>Total Current Assets</b>	<b>146,160</b>	<b>85%</b>	<b>131,225</b>	<b>83%</b>	<b>144,174</b>	<b>84%</b>
LT equity investments	5,135	3%	5,035	3%	4,295	3%
Property, plant and equipment	17,112	10%	17,136	11%	15,636	9%
Other assets	3,893	2%	4,088	3%	7,294	4%
<b>Total Assets</b>	<b>172,301</b>	<b>100%</b>	<b>157,484</b>	<b>100%</b>	<b>171,399</b>	<b>100%</b>
ST Borrowing	2,423	1%	2,161	1%	18,509	11%
A/P	99,364	58%	87,802	56%	94,922	55%
Other current liabilities	12,900	7%	12,405	8%	11,489	7%
<b>Total Current Liabilities</b>	<b>114,687</b>	<b>67%</b>	<b>102,368</b>	<b>65%</b>	<b>124,919</b>	<b>73%</b>
LT Debt	5,796	3%	5,907	4%	9,639	6%
Other liabilities	1,375	1%	1,260	1%	885	1%
<b>Total Liabilities</b>	<b>121,858</b>	<b>71%</b>	<b>109,535</b>	<b>70%</b>	<b>135,444</b>	<b>79%</b>
<b>Shareholders' Equity</b>	<b>50,442</b>	<b>29%</b>	<b>47,948</b>	<b>30%</b>	<b>35,955</b>	<b>21%</b>



# Cash Flows

NT\$M	1-3Q'09	1-3Q'08
<b>Cash* (Beginning of period)</b>	13,179	7,560
<b>Cash flow from Operation</b>		
<b>Consolidated net income</b>	6,047	5,362
Depreciation & amortization	3,896	2,385
(Income)/loss from equity method	(117)	(74)
Changes in A/R	(27,799)	(17,318)
Changes in A/P	25,965	37,545
Changes in inventories	2,148	(24,908)
Others	1,753	(5,782)
<b>Cash provided by operating activities</b>	11,892	(2,791)
<b>Cash flow from Investment</b>		
Capex	(4,079)	(4,318)
Others	(116)	(5,266)
<b>Cash provided by investing activities</b>	(4,194)	(9,584)
<b>Cash flow from Finance</b>		
Increase (decrease) in ST borrowings	(451)	8,440
LT debt	(4,062)	9,639
Issuance of common stock	7,234	1,134
Payment on cash dividends	(1,638)	(3,295)
Payment on directors' and supervisors' remuneration	-	(59)
Others	4	(126)
<b>Cash provided by financing activities</b>	1,087	15,733
Effect of exchange rate change & subsidiaries consolidated	(23)	(50)
<b>Cash (End of period)</b>	21,942	10,868

\* Cash = Cash + Cash equivalent + ST financial instruments

\* Capex = Additions to property, plant and equipments + Increase in long-term equity investment  
+ Increase in advance payments for investment