

# 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**
- ◆ **Business Week<sup>1</sup> “Global Info Tech 100” (Ranks 28)**
- ◆ **One of the Asian Fabulous 50 “The Best of Asia-Pacific’s Biggest Listed Companies” – Forbes<sup>2</sup>**
- ◆ **Asia Money<sup>3</sup> “Best Overall Corporate Governance in Taiwan” (Ranks 3)**
- ◆ **Market Cap - NT\$84 billion (US\$2.6B)<sup>4</sup>**
- ◆ **Acer Shareholding – 9.13%<sup>5</sup>**

Key financials <sup>6</sup>	2004	2005 <sup>7</sup>	2006	1-3Q'07
Revenue	116,752	164,732	221,054	183,621
Gross Profit	6,487	10,581	14,744	10,725
<i>Gross Margin</i>	5.6%	6.4%	6.7%	5.8%
Operating Profit	600	3,802	6,959	4,785
<i>Operating Margin</i>	0.5%	2.3%	3.1%	2.6%
PBT	(985)	3,275	6,524	5,004
PAT	(824)	3,182	5,327	4,251

Note:

1. July 2007 issue of Business Week

2. Sep 2007 issue of Forbes

3. Dec 2006 issue of Asia Money magazine

4. As of close of trading at Dec.31, 2007

5. Inclusive of indirect holdings of Acer Investments as of Dec.31, 2007

6. Consolidated financials for 2004 ~ 2006. Unconsolidated financials for 1-3Q'07

7. Under ROC SFAS NO.7, 2005 financials include consolidation impact of Wistron NeWeb



# 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**

**+**

**Vertical integration through alliance**



**wistron<sup>®</sup>**



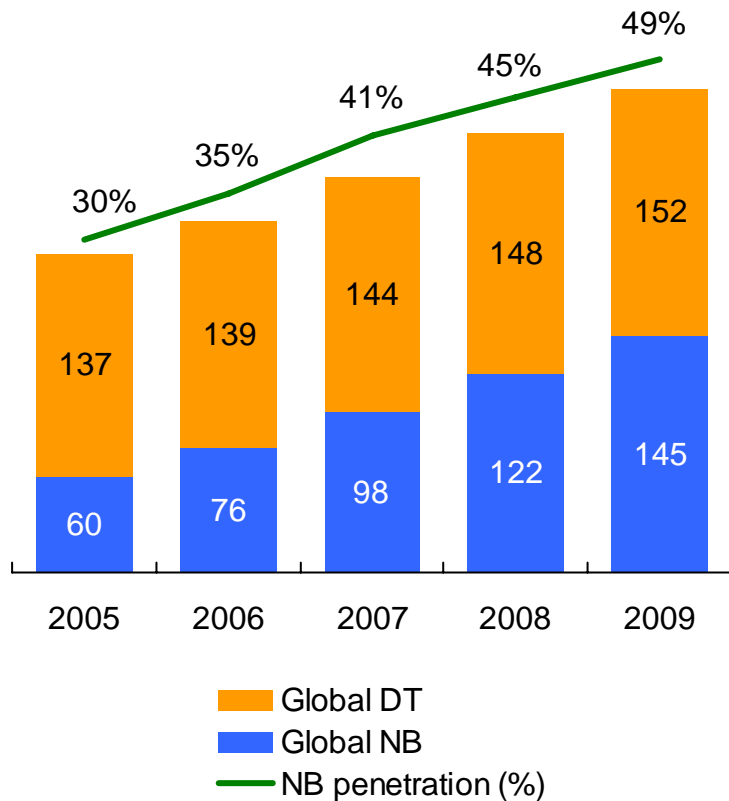
# Key investment highlights

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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

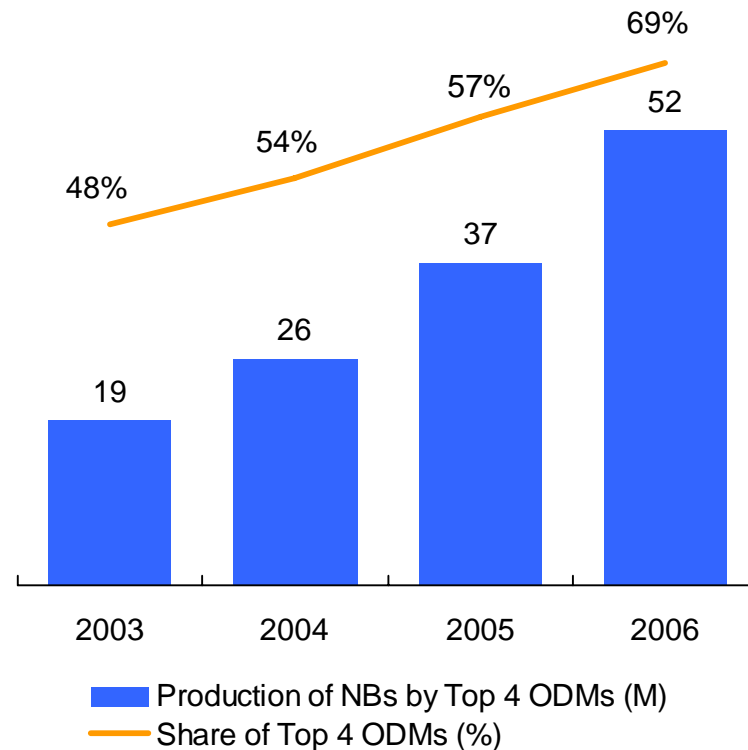
# Strong growth outlook for the NB market

Notebooks - 26% 4 year CAGR



Source: IDC, Oct 2007

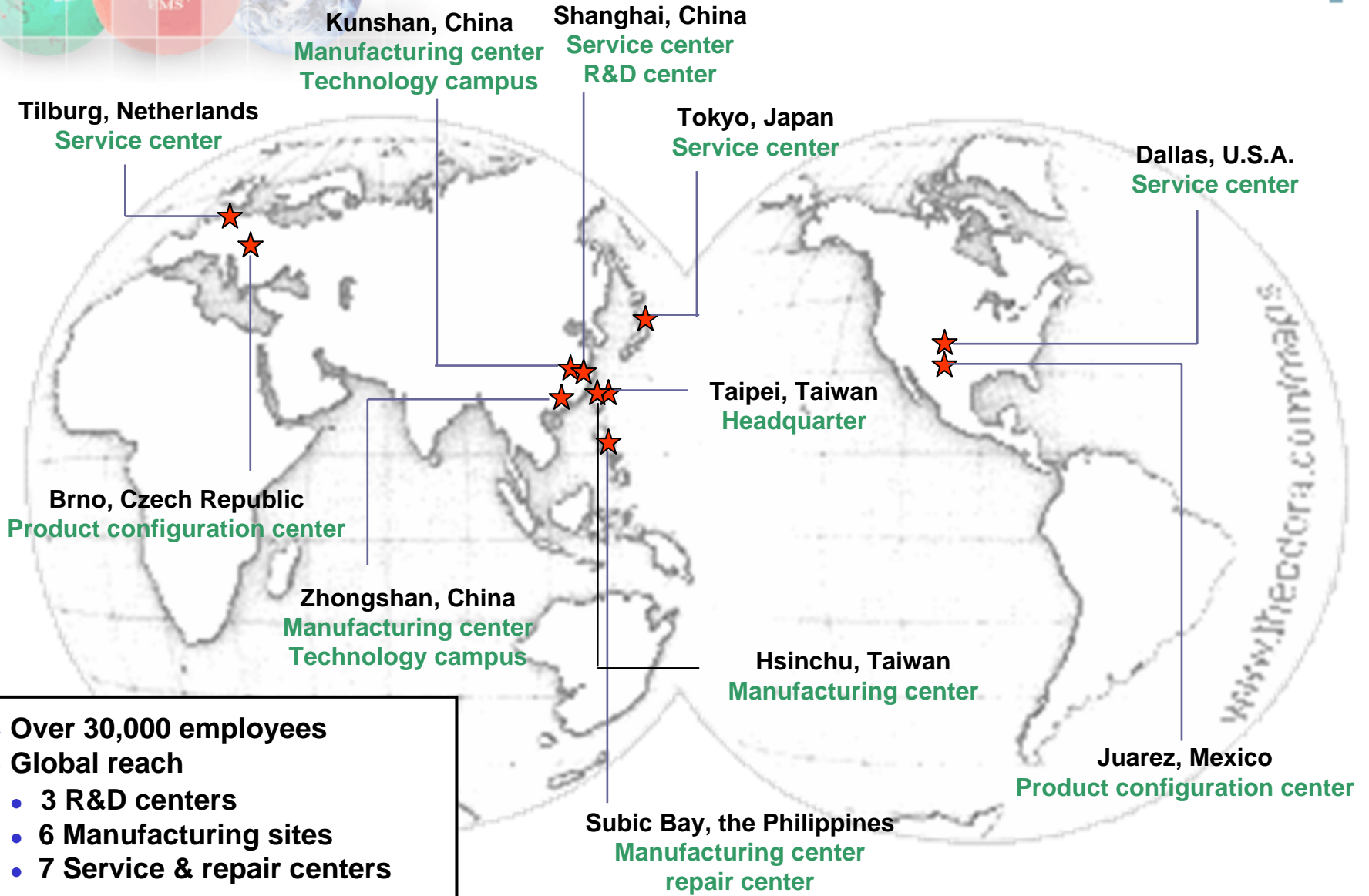
Strong growth outlook for Top ODMs



Source: Gartner



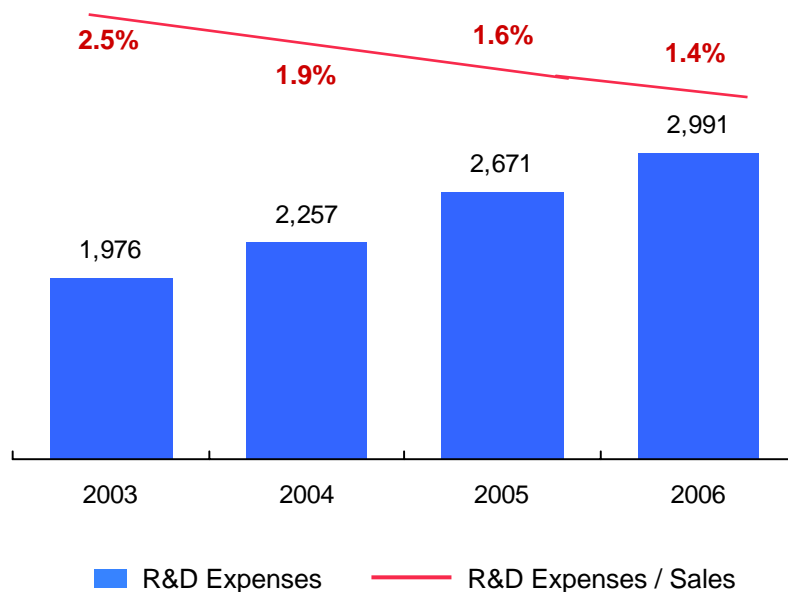
# Wistron's global network with total solution



- ◆ Over 30,000 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



Source: Company consolidated financials

## Key R&D focus & Awards

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

- ◆ Designing and developing new products and technologies, value-added features and functions
- ◆ Developing innovative, practical and high-quality manufacturing processes to improve efficiency and reduce costs
- ◆ Over 4,000 engineers

### Awards

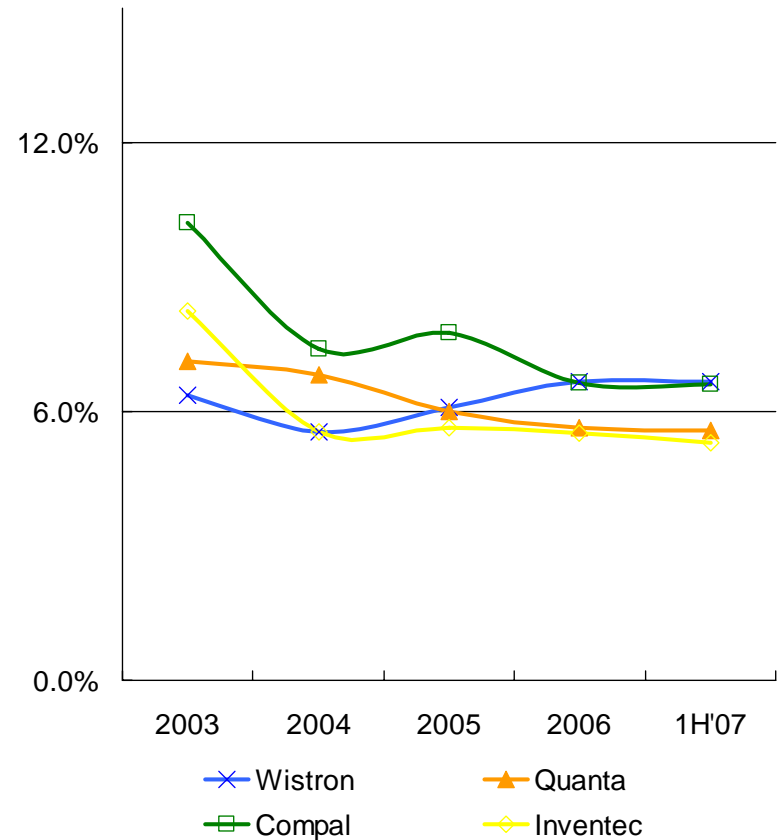
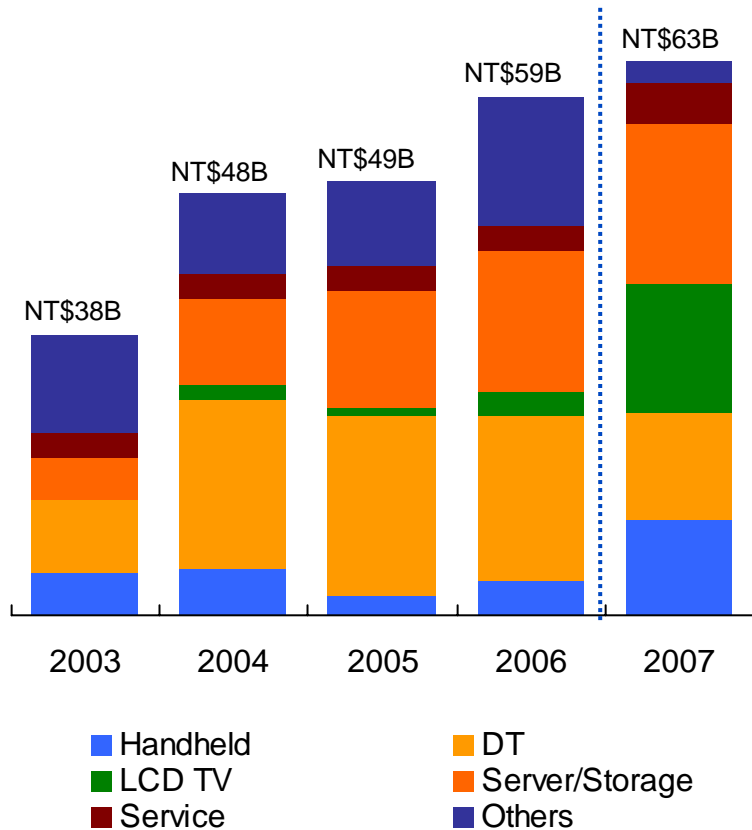
- ◆ Won Best Product of the Year awards for 2006 from both PC World and PC Magazine
- ◆ Won the CES Best of Innovations 2008 in the Computer Hardware category
- ◆ Time Magazine's Best Inventions edition listed three notebook PCs in its Tech Buyer's Guide, 3 out of 3 made by Wistron

# Diversified product mix leading to stable margins



Increasing contribution from desirable businesses

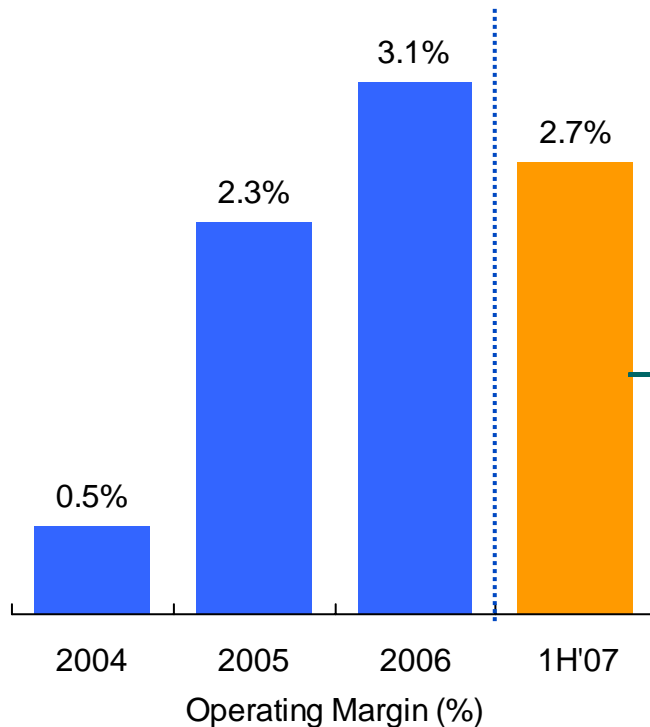
Better GM trend vs. peers'



Source: Company financials & TSEC Market Observation Post System

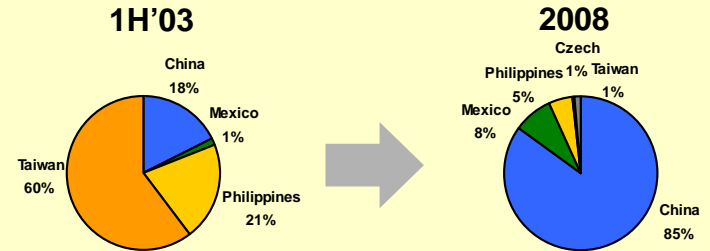
# Cost control and efficiency improvement strategy taking effect

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

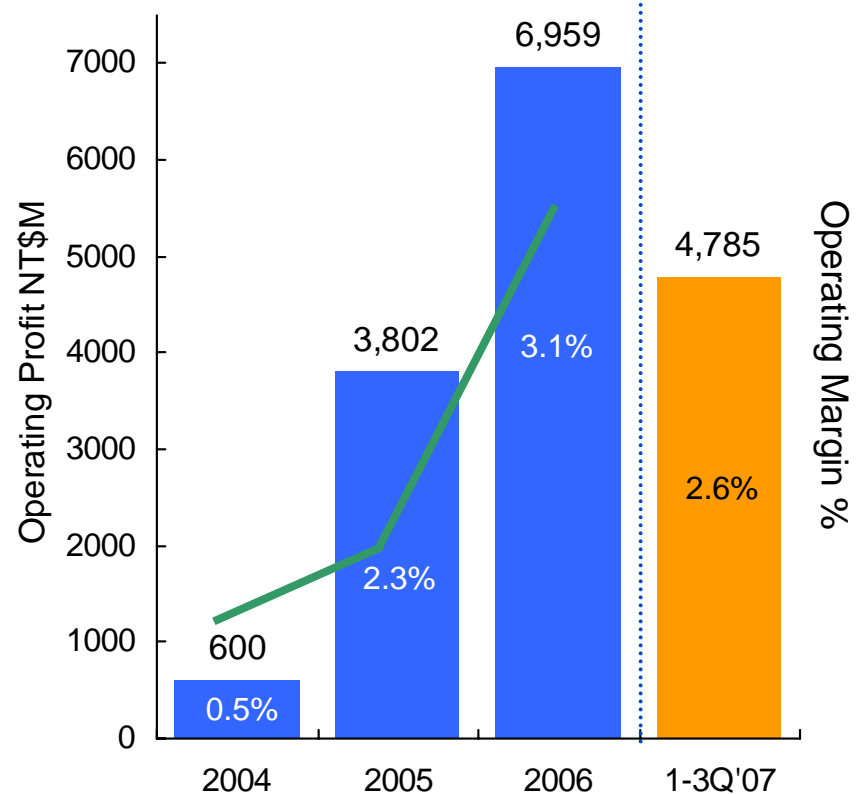
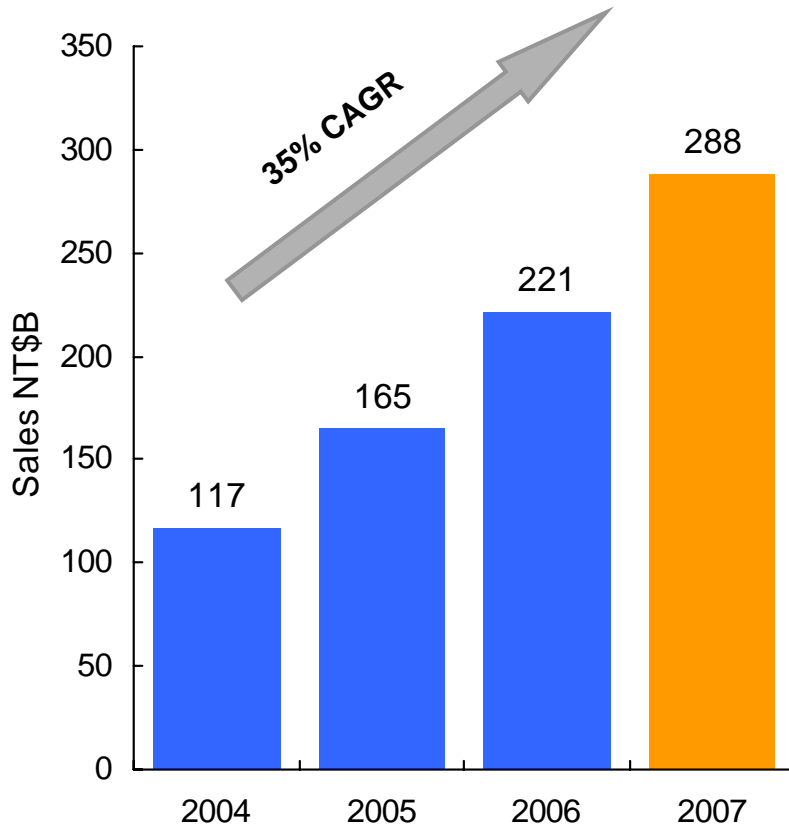
## Improving production efficiency

- ◆ 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: 2004-07 consolidated financials  
1-3Q'07 unconsolidated financials

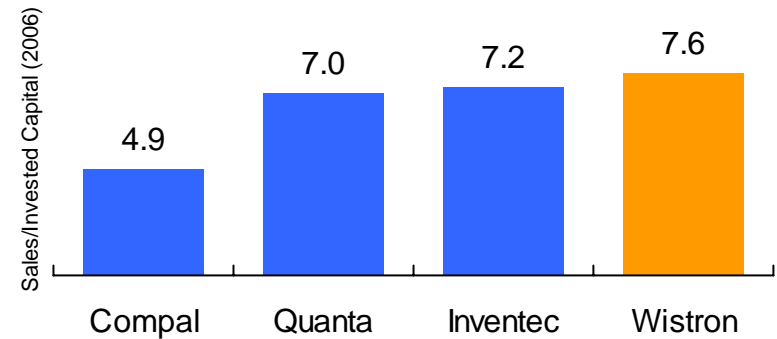


# Superior balance sheet management

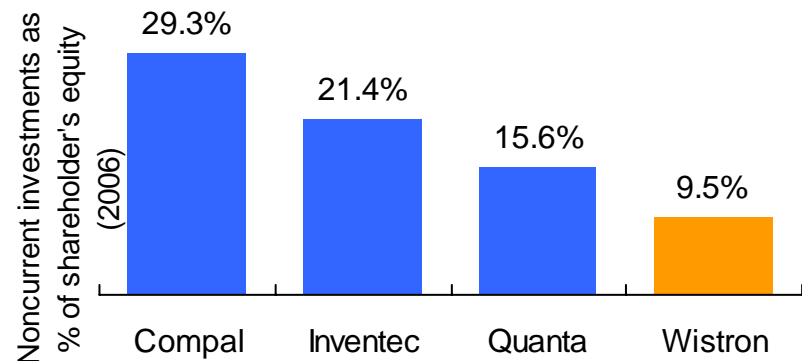
(NT\$M)	2005	2006	1H'07
<b>Total assets</b>	<b>65,082</b>	<b>73,652</b>	<b>81,271</b>
<b>Total debt</b>	<b>3,892</b>	<b>2,862</b>	<b>5,763</b>
<b>Shareholders' equity</b>	<b>25,042</b>	<b>28,829</b>	<b>29,998</b>
<b>LT investments</b>	<b>2,409</b>	<b>2,727</b>	<b>3,720</b>
<b>D/E</b>	<b>16%</b>	<b>10%</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 Q3 vs. 2007 Q2 & 2006 Q3 (Unconsolidated)

NT\$ M	Q3'07		Q2'07		QoQ	Q3'06		YoY
Net Revenue	76,875		55,150		39.39%	58,235		32.01%
Realized gross profit	4,218	5.49%	3,504	6.35%	20.38%	3,475	5.97%	21.40%
Operating Expenses								
Selling	(859)	-1.12%	(686)	-1.24%	25.16%	(810)	-1.39%	6.00%
Administrative	(277)	-0.36%	(313)	-0.57%	-11.61%	(228)	-0.39%	21.50%
Research and Development	(1,096)	-1.43%	(999)	-1.81%	9.74%	(709)	-1.22%	54.48%
Total Operating Expenses	(2,231)	-2.90%	(1,998)	-3.62%	11.69%	(1,747)	-3.00%	27.70%
Operating Income	1,987	2.58%	1,506	2.73%	31.91%	1,727	2.97%	15.03%
Non-operating Income/(Loss)								
Interest Expense, net	(72)		(71)			(170)		
Investment Income/(Loss)	183		176			308		
Exchange Gain/(Loss), net	(239)		(46)			15		
Other Income/(Expense)	244		48			57		
PBT	2,102		1,613		30.32%	1,937		8.54%
Tax	(302)		(258)			(648)		
PAT	1,800		1,355		32.88%	1,289		39.69%
Outstanding Shares (M)	1,382		1,382			1,272		

# Single Balance Sheets

NT\$M	2007/9/30		2007/6/30		2006/9/30	
Cash & ST Investments	4,513	7%	4,650	8%	15,389	25%
A/R	42,726	62%	33,466	56%	24,658	41%
Inventory	3,310	5%	3,691	6%	4,222	7%
Other current Assets	3,867	6%	3,576	6%	3,942	6%
<b>Total Current Assets</b>	<b>54,415</b>	<b>79%</b>	<b>45,383</b>	<b>76%</b>	<b>48,211</b>	<b>79%</b>
LT equity investments	10,449	15%	10,175	17%	8,218	14%
Property, plant and equipment	3,195	5%	3,093	5%	2,904	5%
Other assets	939	1%	909	2%	1,341	2%
<b>Total Assets</b>	<b>68,998</b>	<b>100%</b>	<b>59,560</b>	<b>100%</b>	<b>60,675</b>	<b>100%</b>
ST Borrowing	-	0%	-	0%	-	0%
A/P	33,967	49%	23,126	39%	27,978	46%
Other current liabilities	4,335	6%	7,065	12%	5,283	9%
<b>Total Current Liabilities</b>	<b>38,302</b>	<b>56%</b>	<b>30,192</b>	<b>51%</b>	<b>33,261</b>	<b>55%</b>
LT & Other liabilities	51	0%	129	0%	3	0%
<b>Total Liabilities</b>	<b>38,353</b>	<b>56%</b>	<b>30,321</b>	<b>51%</b>	<b>33,264</b>	<b>55%</b>
<b>Shareholders' Equity</b>	<b>30,645</b>	<b>44%</b>	<b>29,239</b>	<b>49%</b>	<b>27,411</b>	<b>45%</b>

# 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	
	1-3Q'07	2006	1H'07	2006
<b>Cash* (Beginning of period)</b>	<b>10,899</b>	<b>8,653</b>	<b>12,722</b>	<b>10,845</b>
<b>Cash flow from Operation</b>				
<b>Net income</b>	<b>4,251</b>	<b>5,327</b>	<b>2,444</b>	<b>5,275</b>
Depreciation & amortization	832	788	1,314	2,227
Loss (Income) from equity method	(410)	(57)	(145)	(152)
Others	(5,774)	1,534	(10,320)	485
<b>Cash provided by operating activities</b>	<b>(1,101)</b>	<b>7,591</b>	<b>(6,707)</b>	<b>7,835</b>
<b>Cash flow from Investment</b>				
Capex	(1,926)	(1,093)	(1,909)	(3,658)
Others	(1,283)	(2,074)	(987)	514
<b>Cash provided by investing activities</b>	<b>(3,209)</b>	<b>(3,167)</b>	<b>(2,896)</b>	<b>(3,145)</b>
<b>Cash flow from Finance</b>				
Increase (decrease) in borrowings & debts	-	-	2,249	(496)
Issuance of common stock	-	14	-	14
Cash dividends to shareholders	(2,789)	(1,765)	-	(1,765)
Employee bonus	-	(114)	-	(114)
Directors' and supervisors' remuneration	(48)	(29)	-	(29)
Others	726	(284)	1,335	(423)
<b>Cash provided by financing activities</b>	<b>726</b>	<b>(2,178)</b>	<b>3,584</b>	<b>(2,813)</b>
<b>Cash (End of period)</b>	<b>7,314</b>	<b>10,899</b>	<b>6,703</b>	<b>12,723</b>

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

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

20 \* Consolidated factored amount reduced from Dec. 31, 2006 of US\$611M to Sept. 30, 2007 of US\$351M



# 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>