

# Wistron Corporation

## Investor Presentation





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## **Section 1 Company Overview**

## **Section 2 Financial Summary**

# Company Overview

## Section 1





# Company overview

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

- ◆ **Spin-off in 2001**
- ◆ **Listed on the TSE in 2003**
- ◆ **Business Week<sup>1</sup> “Global Info Tech 100” (Ranks 40)**
- ◆ **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)**
- ◆ **Acer Shareholding – 5.15%<sup>4</sup>**

Key financials	2005 <sup>5</sup>	2006	2007 <sup>5</sup>	1-3Q'08 <sup>5</sup>
Revenue	164,732	221,054	286,754	300,575
Gross Profit	10,581	14,744	18,361	17,837
<i>Gross Margin</i>	<i>6.4%</i>	<i>6.7%</i>	<i>6.4%</i>	<i>5.9%</i>
Operating Profit	3,802	6,959	8,017	6,089
<i>Operating Margin</i>	<i>2.3%</i>	<i>3.1%</i>	<i>2.8%</i>	<i>2.0%</i>
PBT	3,275	6,524	8,038	6,520
PAT	3,182	5,327	6,605	5,307

Note:

1. July 2008 issue of Business Week

2. Sep 2008 issue of Forbes

3. Dec 2006 issue of Asia Money magazine

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

5. Under ROC SFAS NO.7, 2005 financials include consolidation impact of Wistron NeWeb, and from 2007, the financials include consolidation impact of AOpen.

6. Wistron booked NT\$942 million of employee bonus expense (for both employee bonus and director remuneration) in 1-3Q'08.



# 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 overall operation  
efficiency and expertise in design &  
manufacturing

+

Speed up supply chain integration  
through M&A, JV or alliance



**wistron**<sup>®</sup>



# Key investment highlights

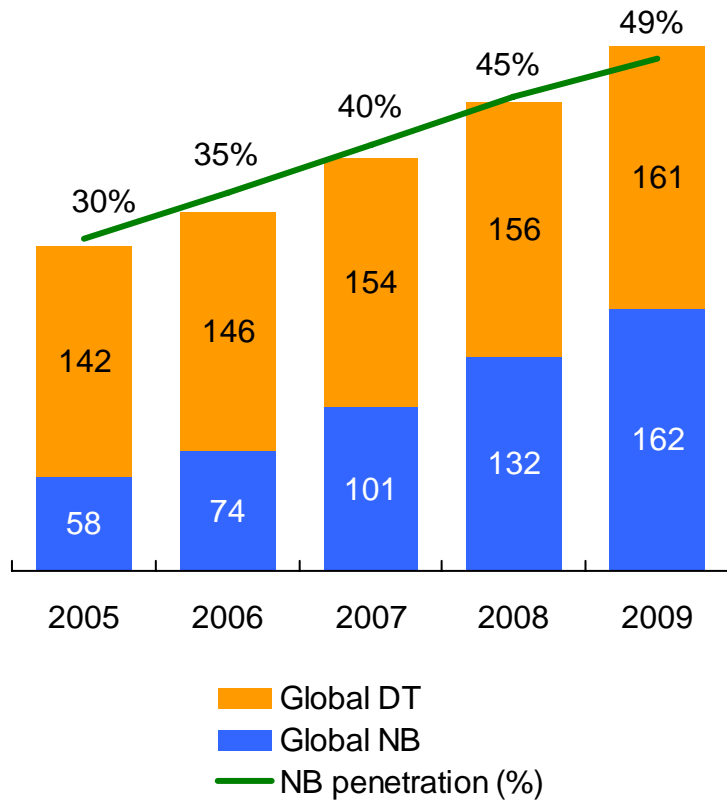
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- 1 Steady industry growth outlook**
- 2 Well-established foundation in notebooks**
- 3 Growth strategy beyond notebooks**
- 4 Well-diversified tier 1 customer base**
- 5 Strong R&D and efficient manufacturing and services platform**
- 6 Strong financial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

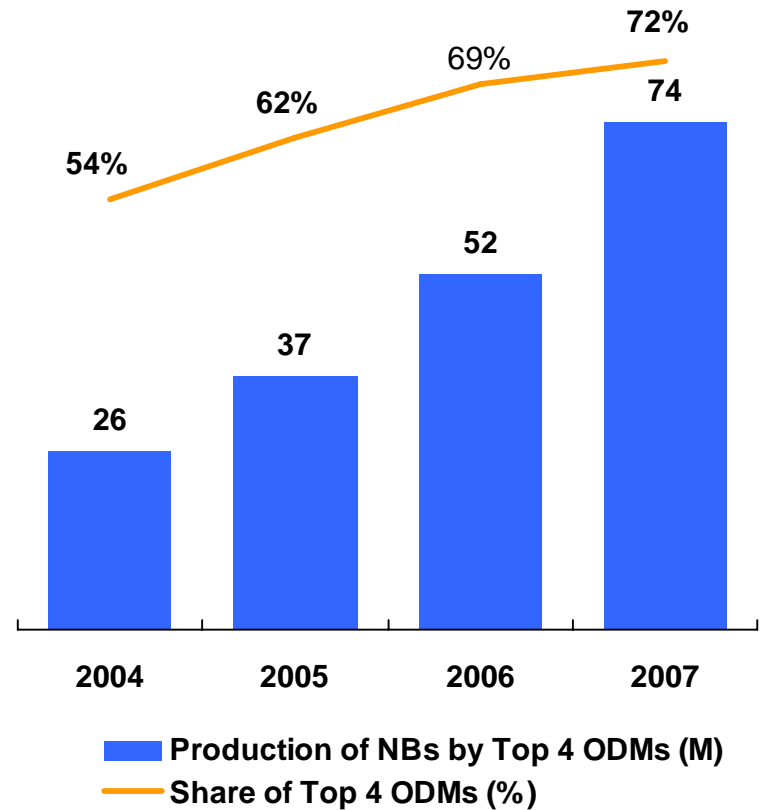


# Strong growth outlook for the NB market

**Notebooks – 2005-2009 CAGR 30%**



**Strong growth outlook for Top ODMs**



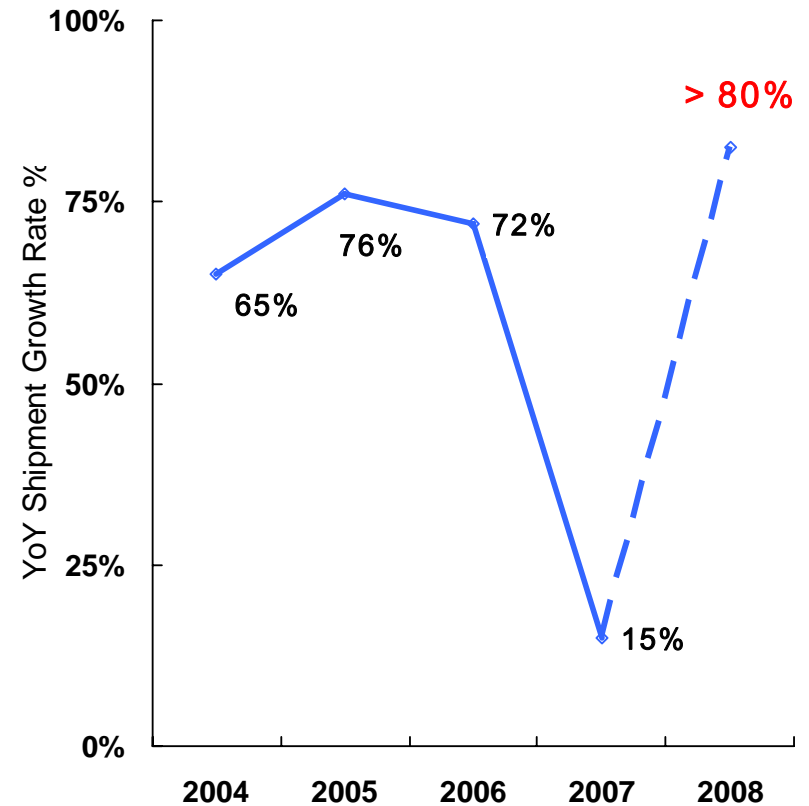
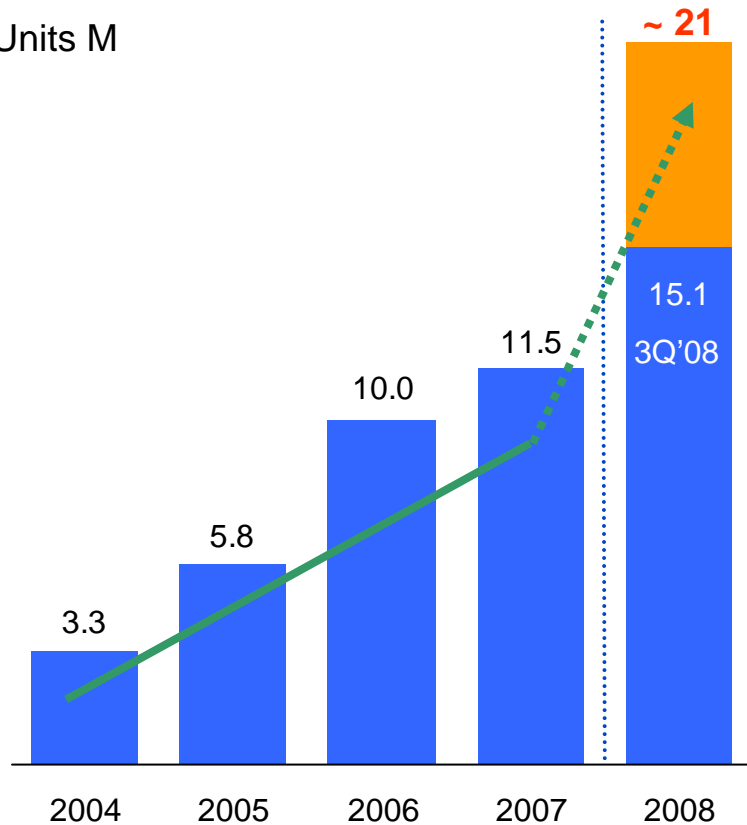
Source: IDC, July, 2008

# Wistron is a major beneficiary of Notebook growth story

2008 NB shipment targets 21 million

Continuous unit growth after spin-off

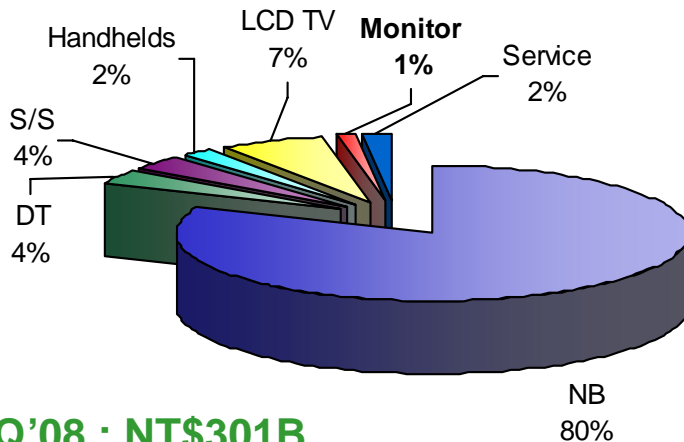
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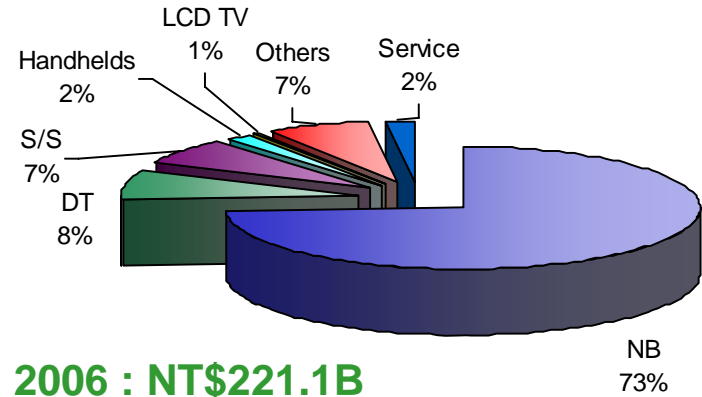
# But Wistron not just a NB PC manufacturer

## Multiple Engines of Growth

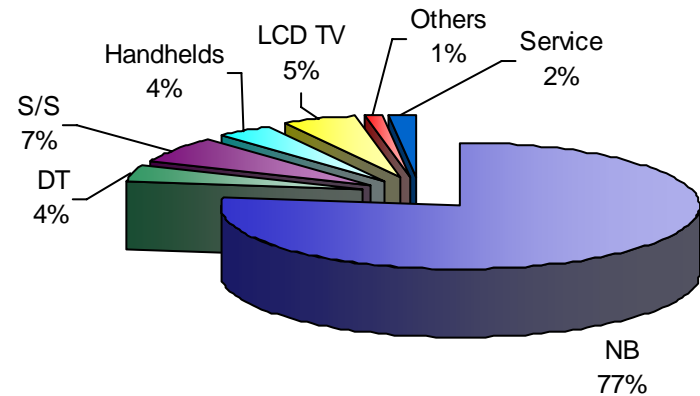
- ◆ Notebook PC remains one of the major growth drivers for the company
- ◆ Other product lines (Display, Handheld devices, Desktop, Server/storage, VOIP, IPC and After-sales services) are also growing fast and on track



**1-3Q'08 : NT\$301B**



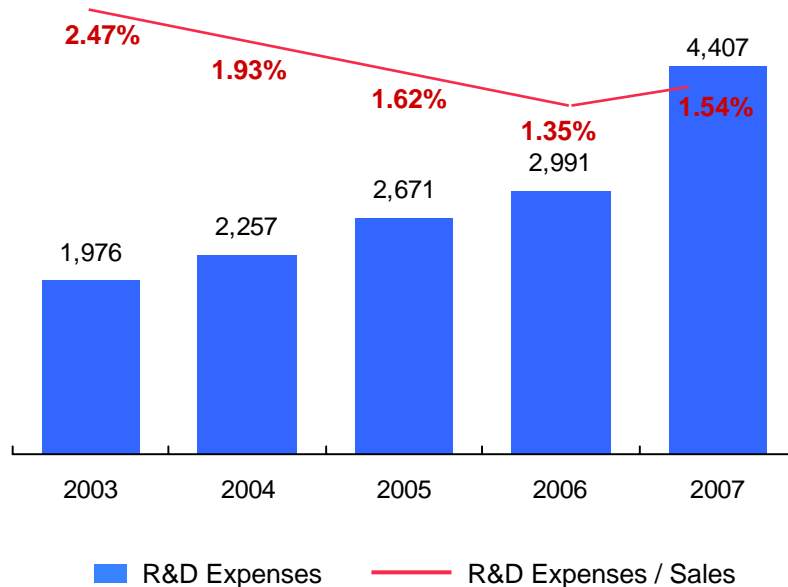
**2006 : NT\$221.1B**



**2007 : NT\$288.4B**

# Strong commitment to R&D

## Sustained R&D spending



Source: Company consolidated financials

## Key R&D focus & Achievement

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
- ◆ Consistent quality execution recognized annually in industry (LAPTOP, PC World, PC Magazine)
- ◆ Over 4,000 engineers

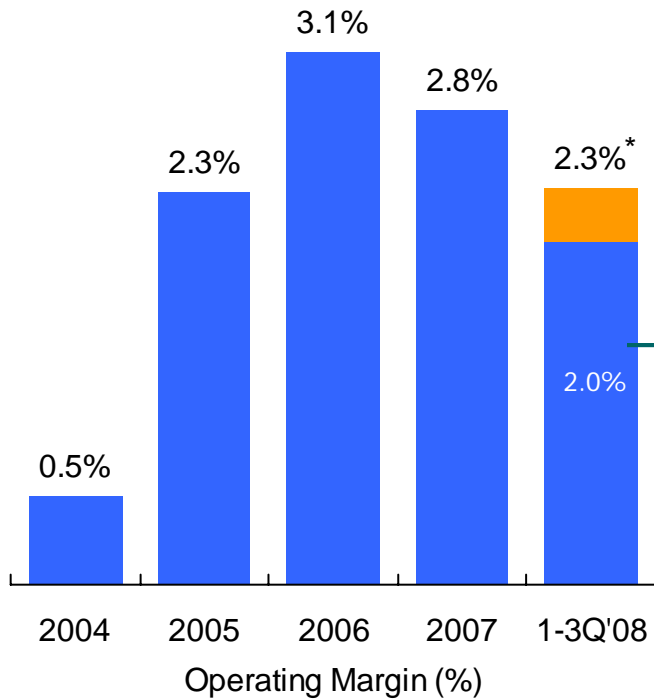
### Recent Awards

- ◆ 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

# Cost control and efficiency improvement strategy taking effect

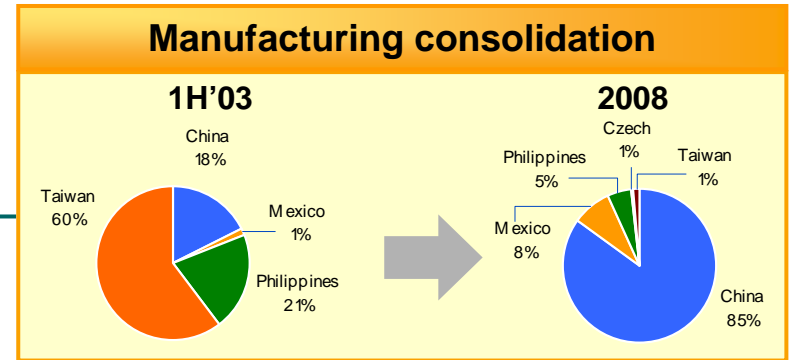


Maintain a quality cost and opex efficiency



Source: Company consolidated financials

\* As Wistron booked a NT\$942 million of employee bonus expense (for both employee bonus and director remuneration) in 1-3Q'08, before the booking, the operating income would have been NT\$7,031 million.



- ### Diversified product portfolio
- ◆ Phased out low margin MBs and PDAs
  - ◆ Emphasis product mix with more high-margin products

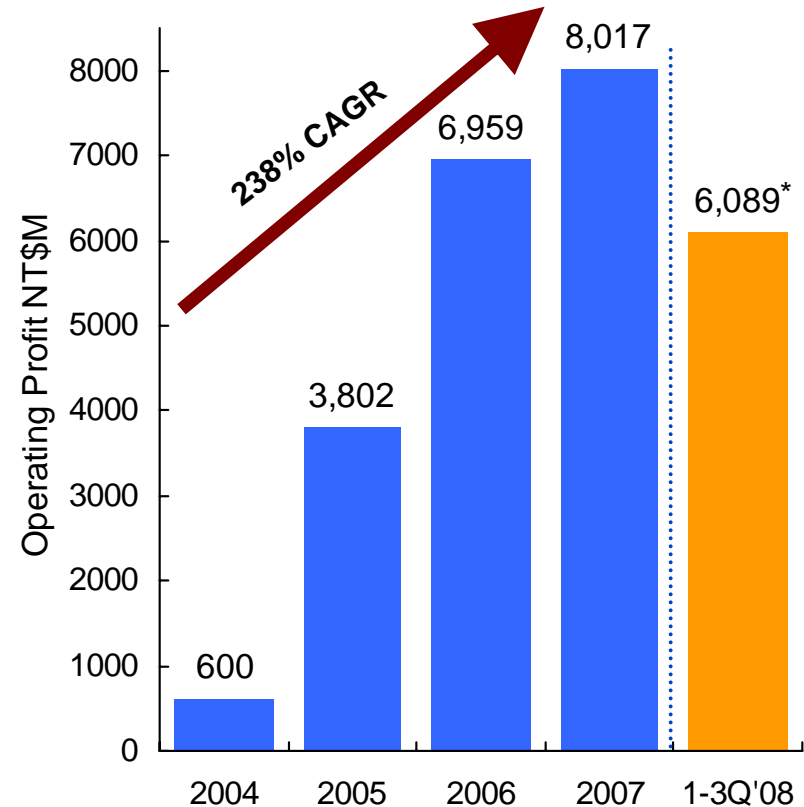
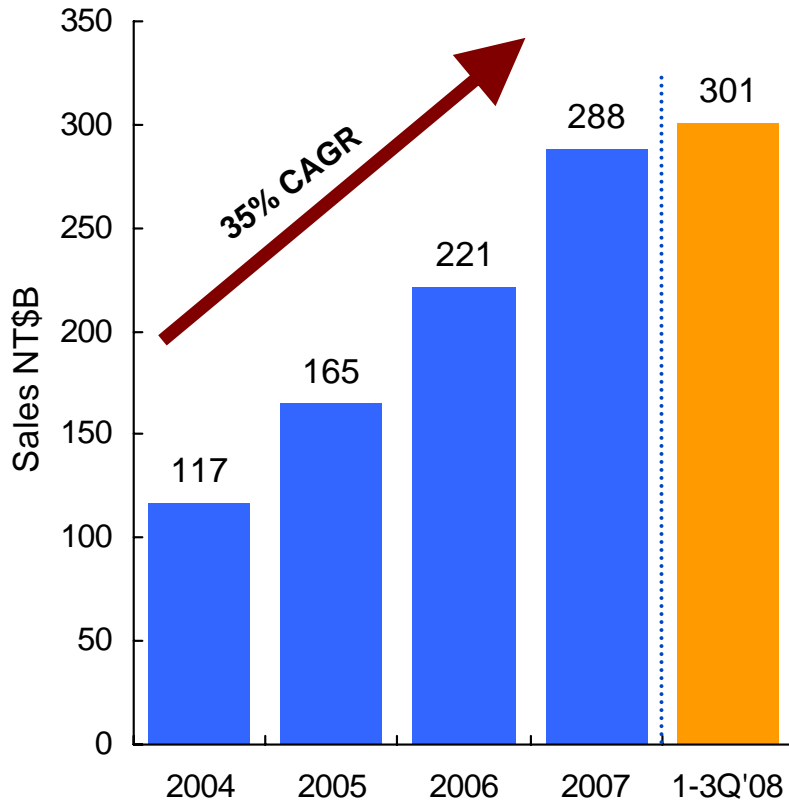
- ### Increasing economies of scale
- ◆ Emergence as core supplier for top OEMs
  - ◆ Tier 1 ODM procurement power due to scale and product focus

- ### Improving production efficiency
- ◆ Apply 6-Sigma to achieve better operation quality – design to cost, inventory control, production yield, SMT output/utilization...

# Track record of strong financial performance (1)

Strong growth momentum in sales

Continuously improving profitability



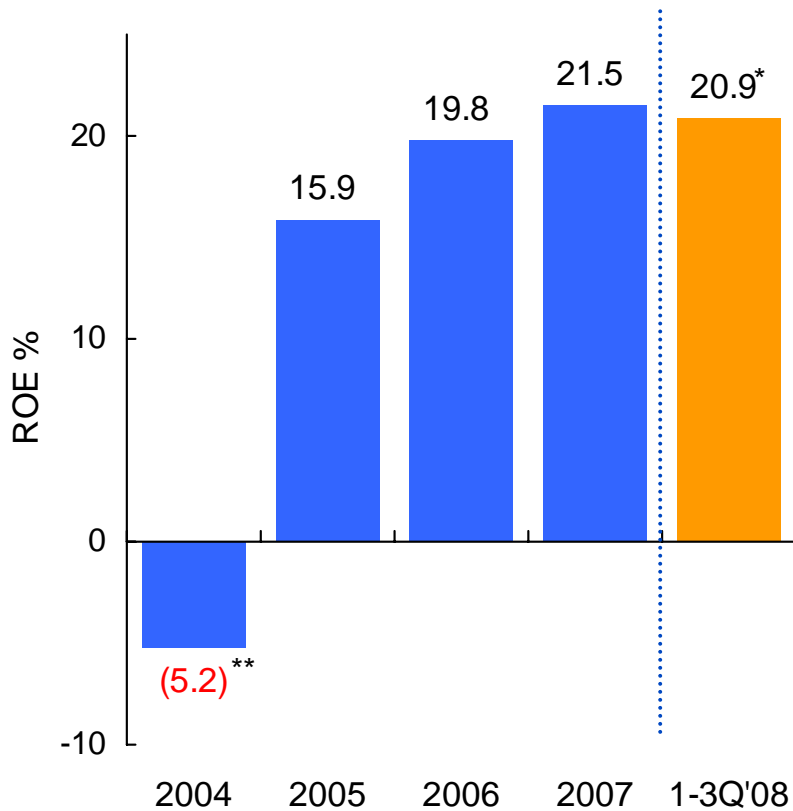
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Source: Company consolidated financials

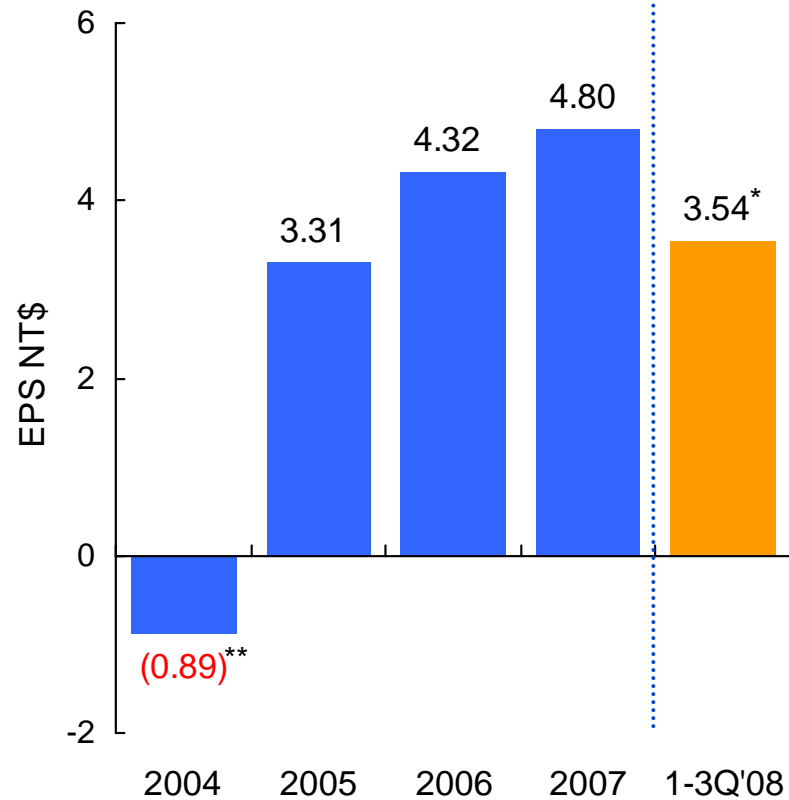


# Track record of strong financial performance (2)

ROE



EPS



\* After bonus expense

\*\* Primarily due to asset write-off

Source: Company consolidated financials

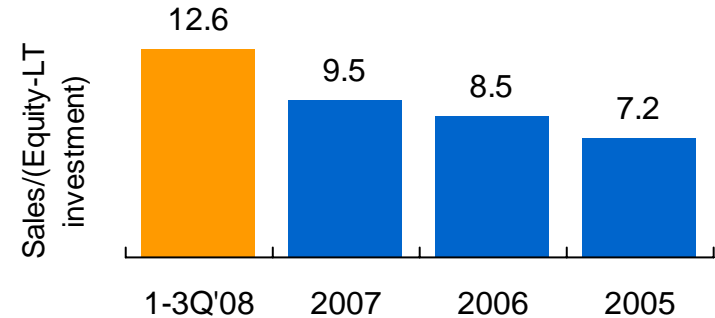


# Superior balance sheet management

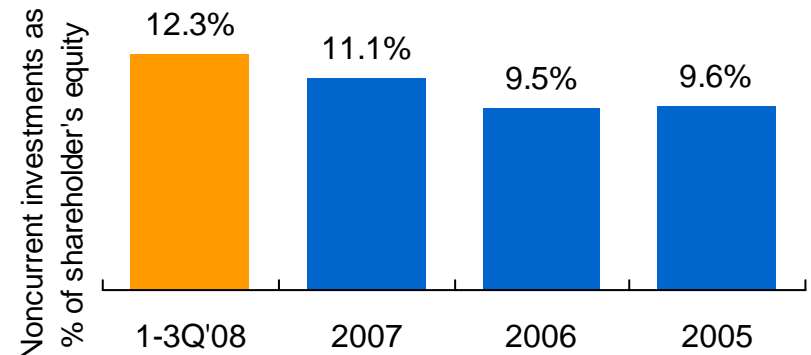
(NT\$M)	2006	2007	3Q'08
<b>Total assets</b>	<b>73,652</b>	<b>108,661</b>	<b>171,399</b>
<b>Net debt (= Total debt - Cash &amp; ST investments)</b>	<b>(9,916)</b>	<b>2,509</b>	<b>17,279</b>
<b>Shareholders' equity</b>	<b>28,726</b>	<b>32,738</b>	<b>35,955</b>
<b>LT investments</b>	<b>2,727</b>	<b>3,616</b>	<b>4,295</b>
<b>Net debt / Equity</b>	<b>-35%</b>	<b>8%</b>	<b>48%</b>

Source: Company consolidated financials  
TSEC Market Observation Post System

## Efficient utilisation of capital



## Higher focus on core business



# Financial Summary

## Section 2





# Income statements

NT\$ M	2004		2005		2006		2007		1-3Q'08*	
Net Revenue	116,752		164,732		221,054		286,754		300,575	
Realized gross profit	6,488	5.56%	10,581	6.42%	14,745	6.67%	18,361	6.40%	17,837	5.93%
Operating Expenses										
Selling	(2,573)	-2.20%	(3,120)	-1.89%	(3,623)	-1.64%	(4,417)	-1.54%	(5,478)	-1.82%
Administrative	(1,058)	-0.91%	(988)	-0.60%	(1,171)	-0.53%	(1,520)	-0.53%	(1,605)	-0.53%
Research and Development	(2,257)	-1.93%	(2,671)	-1.62%	(2,991)	-1.35%	(4,407)	-1.54%	(4,666)	-1.55%
Total Operating Expenses	(5,888)	-5.04%	(6,779)	-4.12%	(7,785)	-3.52%	(10,344)	-3.61%	(11,749)	-3.91%
Operating Income	600	0.51%	3,802	2.31%	6,959	3.15%	8,017	2.80%	6,089	2.03%
Non-operating Income/(Loss)										
Interest Expense, net	(181)		(526)		(989)		(628)		(380)	
Investment Income/(Loss)	(444)		(288)		152		287		189	
Exchange Gain/(Loss), net	(12)		(199)		268		(161)		164	
Other Income/(Expense)	(947)		486		133		524		458	
PBT	(985)		3,276		6,524		8,038		6,520	
Tax	14	-1.41%	(39)	-1.20%	(1,249)	-19.15%	(1,322)	-16.44%	(1,158)	-17.76%
Minority Interest	140		(54)		52		(111)		(55)	
PAT	(823)		3,182		5,327		6,605		5,307	
Outstanding Shares (M)	9,493		1,178		1,272		1,382		1,517	

\* Wistron booked NT\$942 million of employee bonus expense (for both employee bonus and director remuneration) in 1-3Q'08.

\* Company consolidated financials

## Consolidated (2008 Q3 vs. 2008 Q2)

NT\$ M	Q3'08		Q2'08		QoQ
Net Revenue	121,681		92,084		32.14%
Realized gross profit	6,827	5.61%	5,777	6.27%	18.17%
Operation Expenses	(4,366)	-3.59%	(3,837)	-4.17%	13.78%
Operating Income - Reported	2,462	2.02%	1,940	2.11%	26.89%
Operating Income - excluding bonus expense	2,844		2,187	2.38%	30.01%
Non-operating Income/(Loss)					
Interest Expense, net	(115)		(141)		
LT Investment Income/(Loss), net	59		55		
Exchange Gain/(Loss), net	187		(244)		
Other Income/(Expense)	58		142		
PBT - Reported	2,650		1,753		51.21%
PBT - excluding bonus expense	3,032		2,000		
Tax	(443)	-16.72%	(304)	-17.34%	45.74%
Minority Interest	(7)		(19)		
PAT - Reported	2,200		1,430		53.90%
PAT - excluding employee bonus expense	2,582		1,677		
Outstanding Shares (M)	1,517		1,493		

- Wistron booked NT\$382 million of employee bonus expense (for both employee bonus and director remuneration) in Q3'08, and NT\$942 million in 1-3Q'08.

# Consolidated Balance Sheets

NT\$M	2008/9/30		2008/6/30		2007/12/31	
Cash & ST Investments	10,868	6%	11,011	9%	7,560	6%
A/R	71,959	42%	59,320	47%	54,643	43%
Inventory	47,721	28%	28,645	23%	22,813	18%
Other current Assets	13,625	8%	4,014	3%	3,759	3%
<b>Total Current Assets</b>	<b>144,174</b>	<b>84%</b>	<b>102,991</b>	<b>81%</b>	<b>88,775</b>	<b>70%</b>
LT equity investments	4,295	3%	4,006	3%	3,616	3%
Property, plant and equipment	15,636	9%	13,934	11%	13,881	11%
Other assets	7,294	4%	6,082	5%	2,388	2%
<b>Total Assets</b>	<b>171,399</b>	<b>100%</b>	<b>127,012</b>	<b>100%</b>	<b>108,661</b>	<b>86%</b>
ST Borrowing	18,509	11%	7,926	6%	10,069	8%
A/P	94,922	55%	64,640	51%	57,379	45%
Other current liabilities	11,489	7%	12,035	9%	6,687	5%
<b>Total Current Liabilities</b>	<b>124,919</b>	<b>73%</b>	<b>84,601</b>	<b>67%</b>	<b>74,135</b>	<b>58%</b>
LT Debt	9,639	6%	9,106	7%		
Other liabilities	885	1%	875	1%	776	1%
<b>Total Liabilities</b>	<b>135,444</b>	<b>79%</b>	<b>94,582</b>	<b>74%</b>	<b>74,911</b>	<b>59%</b>
<b>Shareholders' Equity &amp; Minority Interest</b>	<b>35,955</b>	<b>21%</b>	<b>32,430</b>	<b>26%</b>	<b>33,750</b>	<b>27%</b>

# Cash Flows

NT\$M	Consolidated	
	1-3Q'08	1H'08
<b>Cash* (Beginning of period)</b>	7,560	7,560
<b>Cash flow from Operation</b>		
<b>Net income</b>	5,362	3,155
Depreciation & amortization	2,385	1,548
(Income)/loss from equity method	(74)	(16)
Changes in A/R	(17,318)	(4,461)
Changes in A/P	37,545	9,197
Changes in inventories	(24,908)	(7,111)
Others	(5,782)	307
<b>Cash provided by operating activities</b>	<b>(2,791)</b>	<b>2,617</b>
<b>Cash flow from Investment</b>		
Capex	(4,318)	(2,396)
Others	(5,334)	(4,171)
<b>Cash provided by investing activities</b>	<b>(9,652)</b>	<b>(6,567)</b>
<b>Cash flow from Finance</b>		
Increase (decrease) in ST borrowings	8,440	7,269
LT debt	9,639	128
Issuance of common stock		
Payment on cash dividends	(3,295)	
Payment on directors' and supervisors' remuneration	(59)	
Others	1,134	4
<b>Cash provided by financing activities</b>	<b>15,859</b>	<b>7,401</b>
<b>Cash (End of period)</b>	<b>10,975</b>	<b>11,011</b>

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

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



# Historical earning distribution

- Dividend

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

- Employee Bonus Dilution

	2004	2005	2006	2007
PBT (NT\$M)	(834)	3,212	6,574	<b>7,771</b>
Cash Bonus (NT\$M)	-	114	144	<b>178</b>
Stock Bonus (000' Shares)	-	17,148	33,492	<b>41,614</b>
Closing price at the end of the year	14.1	41.9	44.5	<b>57.9</b>
<b>Employee Bonus / PBT</b>	0.0%	25.9%	24.9%	<b>33.3%</b>



# Finance Updates

➤ Earning Capability:

Wistron Corporation Non-consolidated I/S

2008/1/1~10/31	YTD		
	NTD M	AVG. F/X	USD M
Sales	343,045	31.232	10,984
Profit Before Tax	7,484	31.232	240
Profit After Tax	6,259	31.232	200

For the first ten month of 2008, Wistron Corporation's non-consolidated revenue reached NT\$343.05 billion. Profit before tax (PBT) was NT\$7,484 million, and profit after tax (PAT) was NT\$6,259 million, with EPS of NT\$4.2. The results represent the company's continued growth and improvement. Year-over-year, the net profit grew more than 25% (near 50% before bonus expense).

➤ Balance Sheets:

On the balance sheet side, after outlays for dividends and newly acquired display business, with a sales ramp up by about NT\$20 billion in September, the company's gearing suddenly increased. Whereas the cash and profit will gradually flow back, the leverage should be alleviated dramatically after the peak season.

➤ Bank Facilities:

As Wistron is enjoying a good reputation as one of the world's leading IT manufacturers with excellent customer portfolio, and its decent earning capability supports the interest coverage ratio at a good level of 10-20 times over the past two years . This position helps Wistron become one of the best self-liquidating companies and maintain solid and trusted relationships with more than twenty major local and international banks in Taiwan. As of today, Wistron has US\$ 1.7 billion of available credit facilities on hand, with 50% utilization. That means Wistron still has more than US\$800 million unused credit facilities to fulfill the company's future business needs.