Wistron Corporation

Investor Presentation

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Company Overview

Section 1

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Company overview

2009

- **Jun-09:** Business Week "Global Info Tech 100" (Rank #8)[1]
- **Jun-09:** Business Week "Taiwan Info Tech 100" (Rank #1)[1]

2008

2007

- **Sep-08**: One of the Asian Fabulous 50 "The Best of Asia-Pacific's Biggest Listed Companies" – Forbes[2]
- **Aug-08**: Completed acquisition of monitor business of Lite-On Technology for ~NT$9.2 billion

2006

2005

- **Dec-06:** Asia Money "Best Overall Corporate Governance in Taiwan" (Rank #3)[3]

2004

2003

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

2002

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

Company snapshot

- **Key products: Notebook ("NB") PCs, desktop ("DT") PCs, LCD TVs, LCD monitors, handheld devices, servers, storage devices and services**
- **Employees: over 36,000[4]**

Key financials (NT$bn)

	2006	2007[5]	2008[5]
Revenue	**221.1**	**286.8**	**445.1**
Growth (%)	***34.2%***	***29.7%***	***55.2%***
Gross profit	**14.7**	**18.4**	**24.9**
Gross margin (%)	***6.7%***	***6.4%***	***5.6%***
Operating profit	**7.0**	**8.0**	**8.6**
Operating margin (%)	***3.1%***	***2.8%***	***1.9%***
Net income [6]	**5.3**	**6.6**	**6.9**
Net margin (%)	***2.4%***	***2.3%***	***1.5%***

Source: Company
Note: [1] June 2009 issue of Business Week
[2] September 2008 issue of Forbes
[3] December 2006 issue of Asia Money magazine
[4] As of March 31, 2009
[5] Under ROC SFAS No.7, financials include consolidation impact of AOpen from year 2007 onwards
[6] After minority interest

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Investment highlights

1. Well established market position in notebook PC ODM industry
2. Well diversified product portfolio with high growth potential
3. Diverse top-tier customer base
4. Leader in innovation supported by strong R&D and design capabilities
5. Strong financial track record
6. Good execution and learning organization

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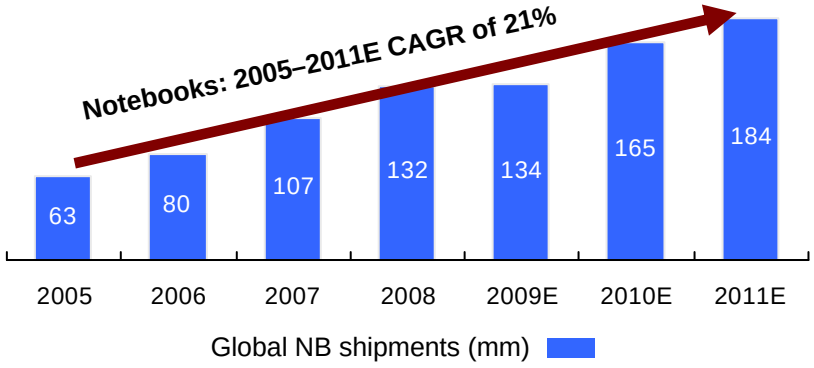
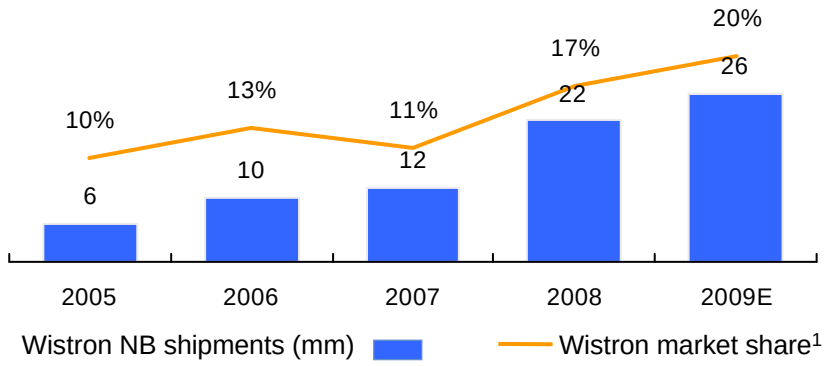
Well established market position in attractive notebook ODM industry

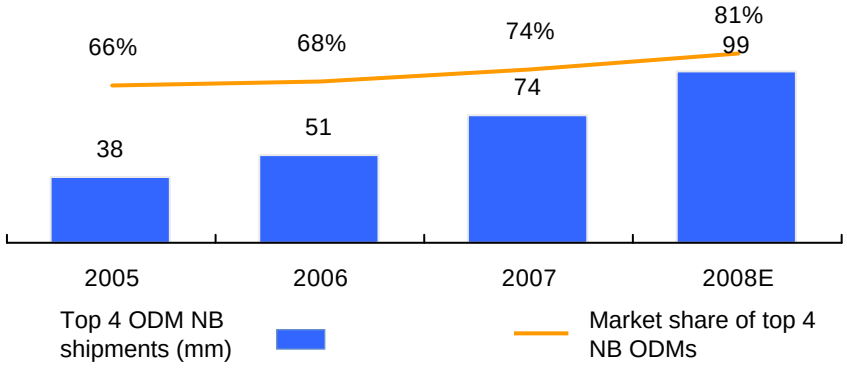
Global notebook industry shipments (mm units)



Wistron has well established market position in NB ODM industry



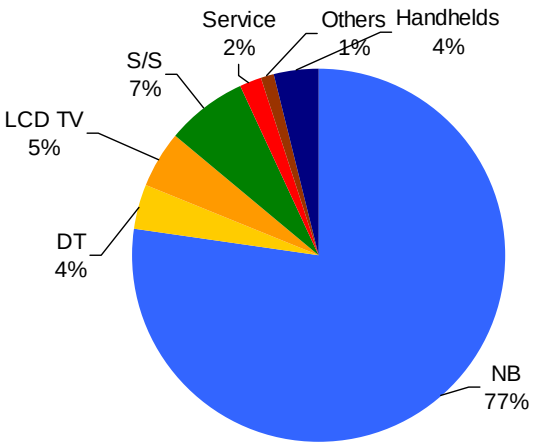
Strong performance of top 4 NB ODMs over time



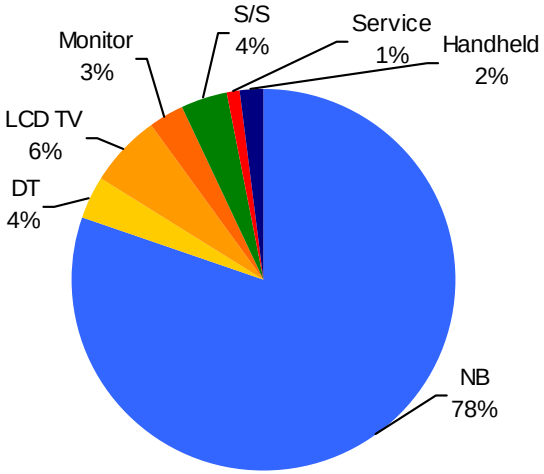
- **Well established top 3 market position in global NB ODM industry**
- **Wistron's winning strategy has resulted in increase in its global NB ODM market share from 10% in 2005 to 18% in 2008**
  - **Strong design ability leads to more high-end products**
  - **Better performance yields more order wins**
  - **Cost advantage given economies of scale**

But Wistron not just a NB PC manufacturer

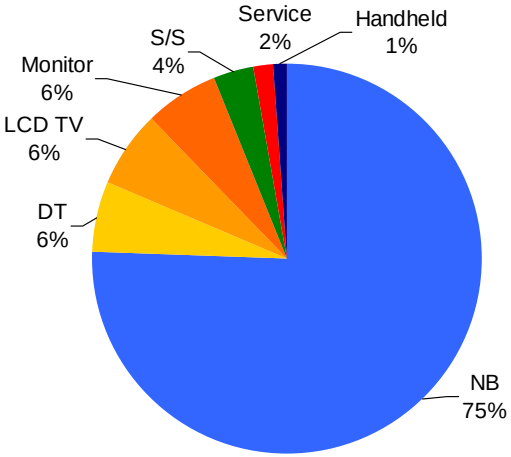
2007 : NT$288.4B



2008 : NT$445B

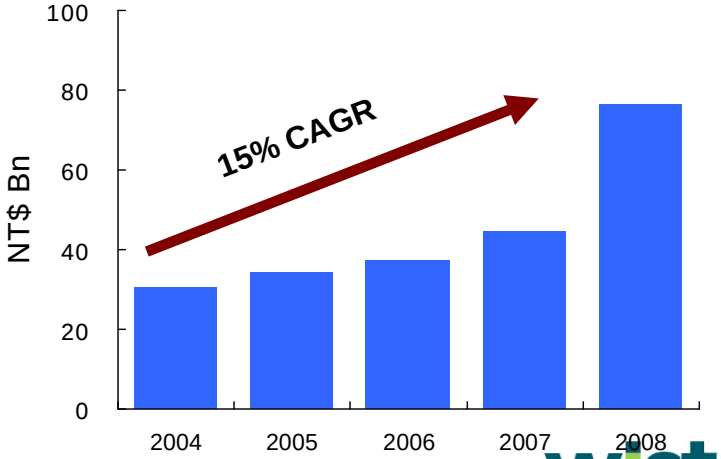


1-3Q'09 : NT$386B



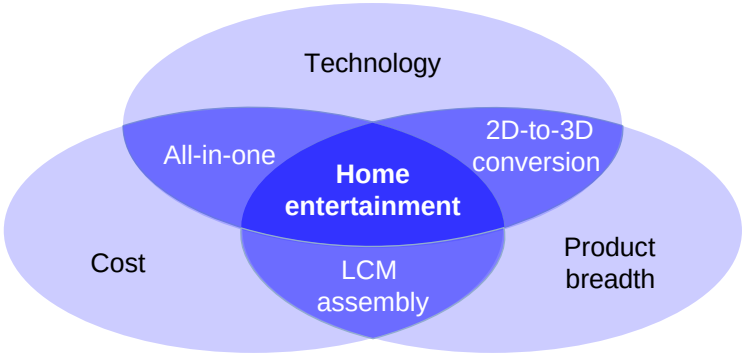
- Notebook PC remains one of the major growth drivers for the Company
- Other product lines (Display, Handheld devices, Desktop, Server/storage, VOIP, IPC and After-sales services) are also growing on track

Non-NB Revenue Trend

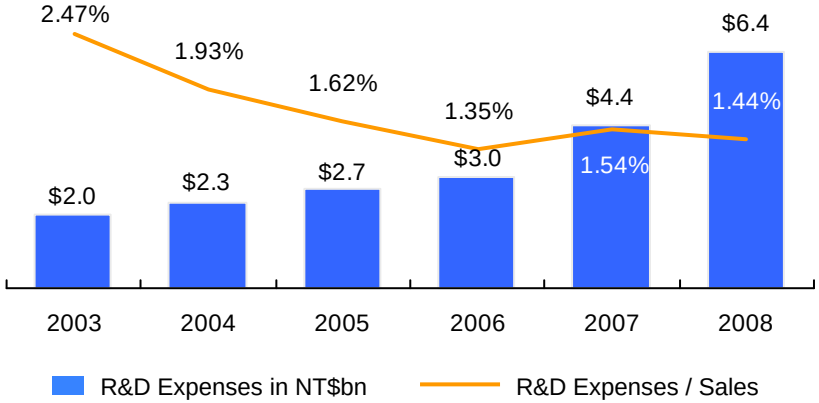


Leading innovation supported by R&D, design and quality

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

Achievements

First NB ODM to design and manufacture tablet PC

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**

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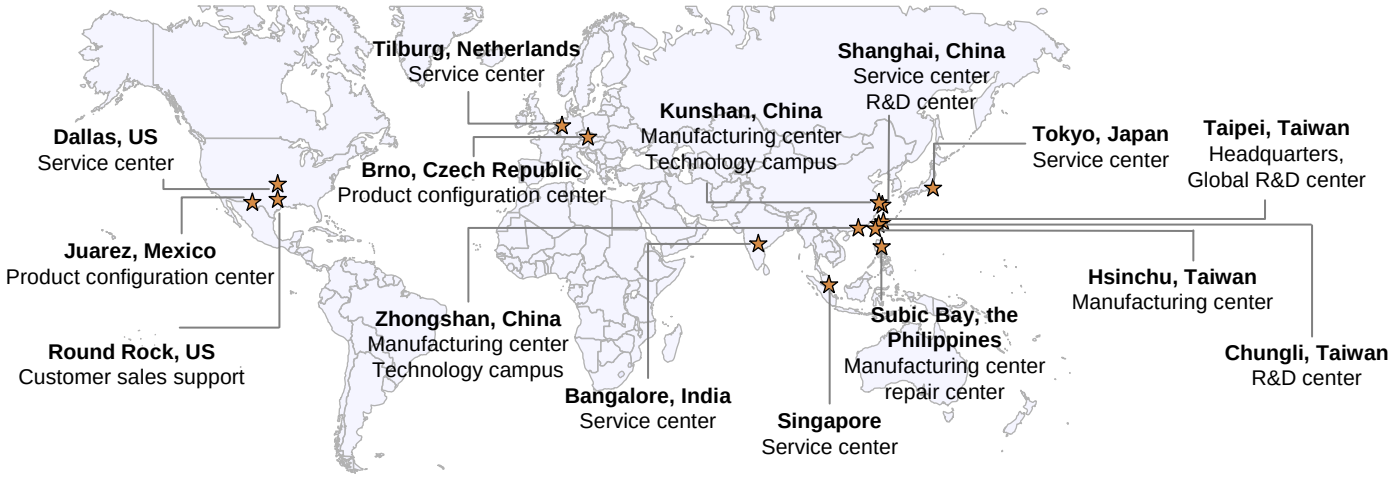
Globally synchronized manufacturing and service infrastructure

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

Tokyo, Japan

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

Source: Company

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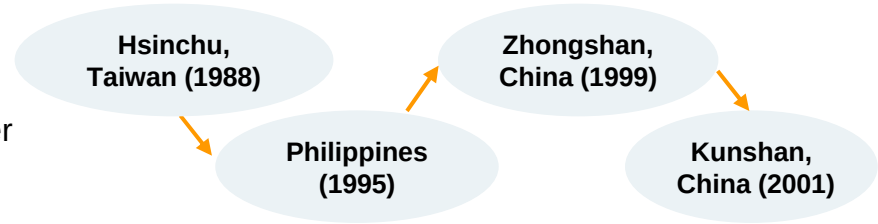
Operational efficiency and reduce costs

Production management

- Carefully expand high volume manufacturing facilities in PRC to reduce costs
- Maintain small volume production in other locations

Manufacturing facilities expansion



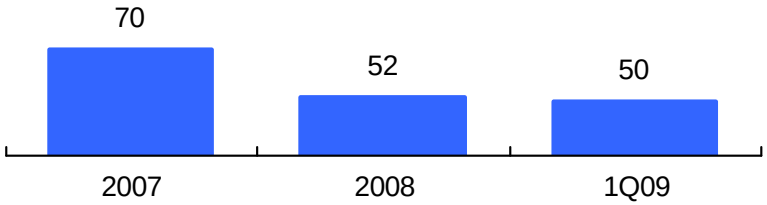
Business organization

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

Notes and accounts receivable management

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

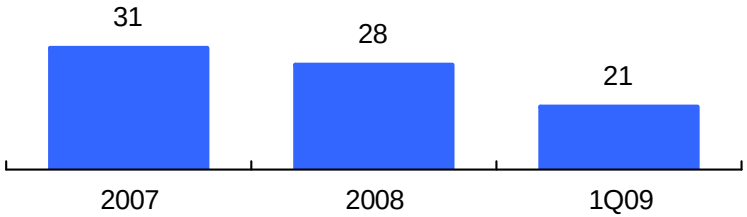
Notes and accounts receivable days



Inventory management

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

Inventory days



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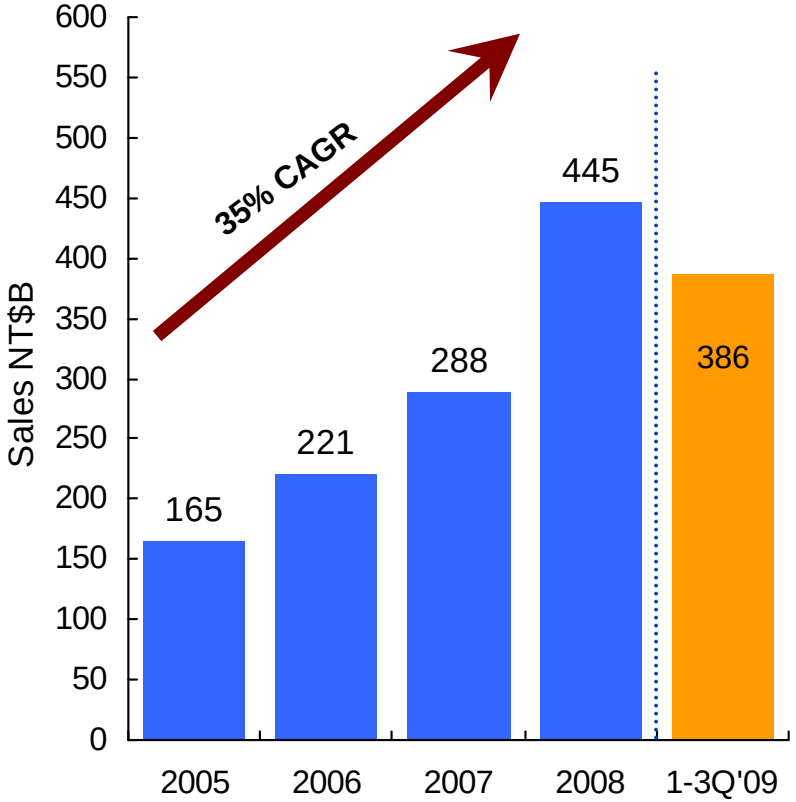
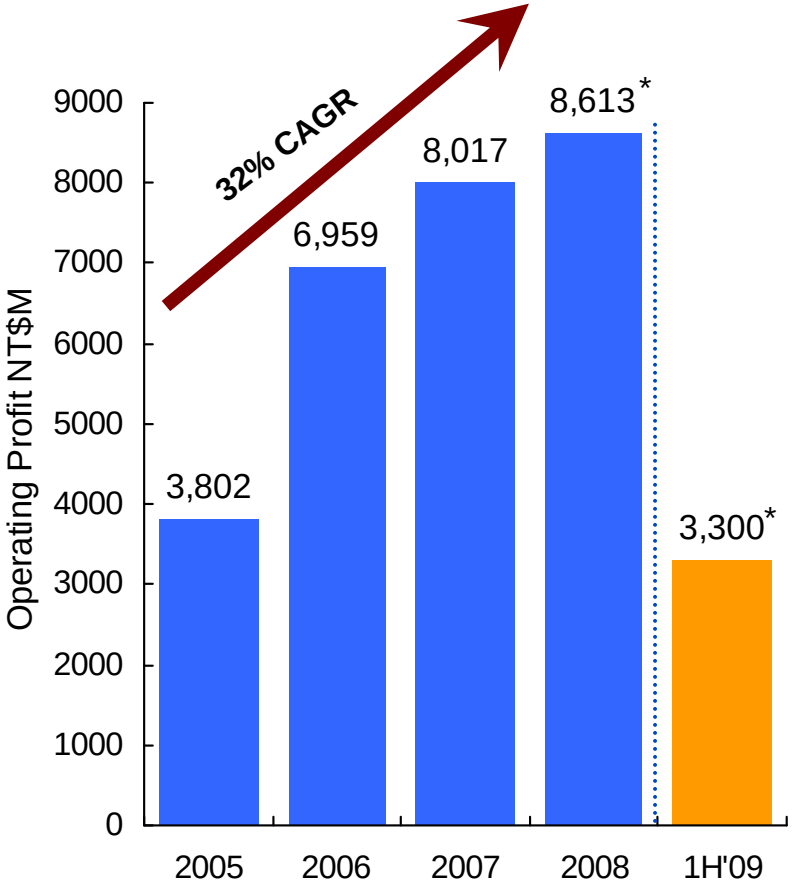
Track record of strong financial performance (1)

Strong growth momentum in sales



Continuously improving profitability

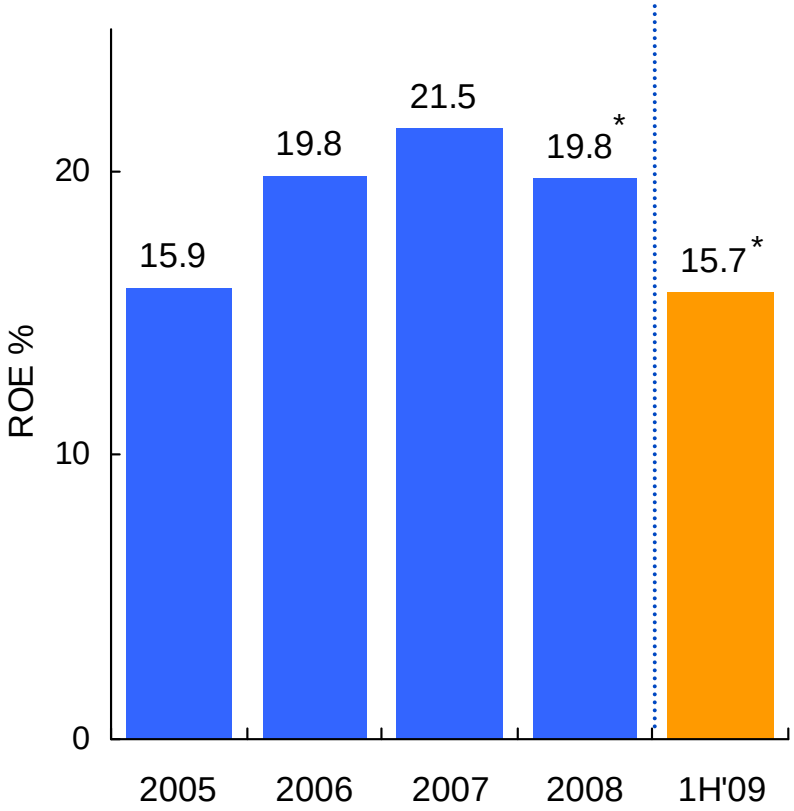


* After bonus expense

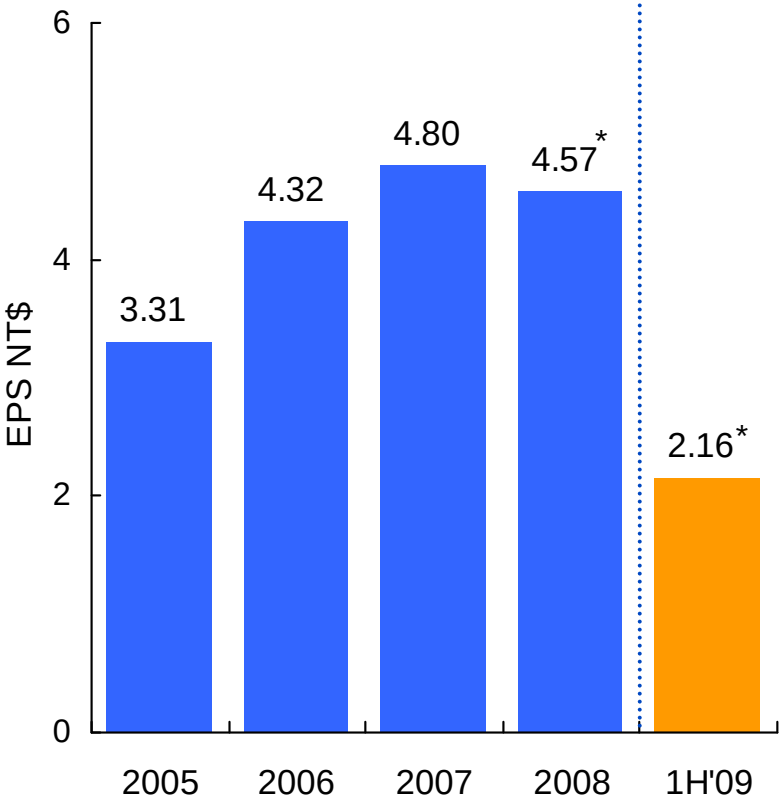
Source: Company consolidated financials

Track record of strong financial performance (2)

ROE



EPS



* After bonus expense

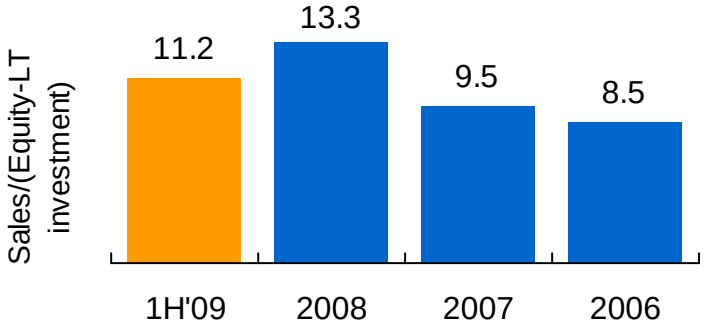
Source: Company consolidated financials

Superior balance sheet management

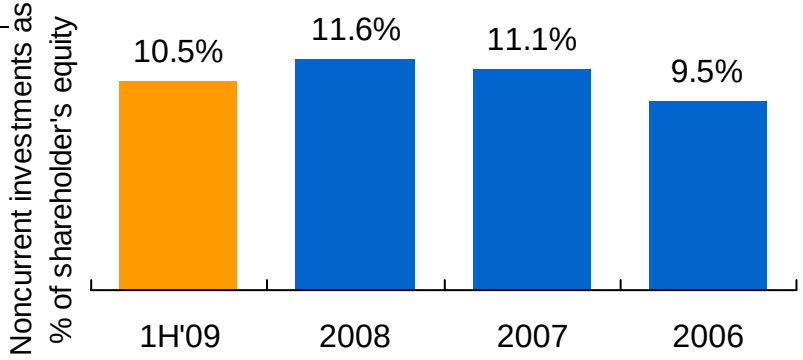
(NT$M)	2007	2008	1H'09
Total assets	108,661	139,461	157,484
Net debt (= Total debt - Cash & ST investments)	2,509	(446)	(18,157)
Shareholders' equity	32,738	37,783	47,948
LT investments	3,616	4,388	5,035
Net debt / Equity	8%	-1%	-38%

Source: Company consolidated financials
TSEC Market Observation Post System

Efficient utilisation of capital



Higher focus on core business



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Financial Summary

Section 2

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Income statements

NT$ M	2005		2006		2007		2008*		1H'09*	
Net Revenue	164,732		221,054		286,754		445,118		239,765	
Realized gross profit	10,581	6.42%	14,745	6.67%	18,361	6.40%	24,866	5.59%	12,941	5.40%
Operating Expenses										
Selling	(3,120)	-1.89%	(3,623)	-1.64%	(4,417)	-1.54%	(7,654)	-1.72%	(4,161)	-1.74%
Administrative	(988)	-0.60%	(1,171)	-0.53%	(1,520)	-0.53%	(2,171)	-0.49%	(1,149)	-0.48%
Research and Development	(2,671)	-1.62%	(2,991)	-1.35%	(4,407)	-1.54%	(6,428)	-1.44%	(3,653)	-1.52%
Total Operating Expenses	(6,779)	-4.12%	(7,785)	-3.52%	(10,344)	-3.61%	(16,253)	-3.65%	(8,963)	-3.74%
Operating Income	3,802	2.31%	6,959	3.15%	8,017	2.80%	8,613	1.94%	3,978	1.66%
Non-operating Income/(Loss)										
Interest Expense, net	(526)		(989)		(628)		(662)		(196)	
Investment Income/(Loss)	(288)		152		287		239		124	
Exchange Gain/(Loss), net	(199)		268		(161)		(38)		89	
Other Income/(Expense)	486		133		524		705		157	
PBT	3,276		6,524		8,038		8,857		4,152	
Tax	(39)	-1.20%	(1,249)	-19.15%	(1,322)	-16.44%	(1,958)	-22.11%	(843)	-20.30%
Minority Interest	(54)		52		(111)		(21)		(9)	
PAT	3,182		5,327		6,605		6,878		3,300	
Outstanding Shares (M)	1,178		1,272		1,382		1,517		1,667	

* Wistron booked NT$449 million and 1,044 million of employee bonus expense (for both employee bonus and director remuneration) in 1H'09 and 2008 respectively.
* Company consolidated financials

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Consolidated (2009 Q2 vs. 2009 Q1 & 2008 Q2)

NT$ M	Q2'09		Q1'09		QoQ	Q2'08		YoY
Net Revenue	127,241		112,524		13.08%	92,084		38.18%
Realized gross profit	7,376	5.80%	5,565	4.95%	32.55%	5,774	6.27%	27.75%
Selling	(2,311)	-1.82%	(1,850)	-1.64%	24.94%	(1,706)	-1.85%	35.48%
Administrative	(549)	-0.43%	(600)	-0.53%	-8.55%	(530)	-0.58%	3.54%
Research & Development	(1,913)	-1.50%	(1,740)	-1.55%	9.95%	(1,601)	-1.74%	19.49%
Total Operation Expenses	(4,773)	-3.75%	(4,190)	-3.72%	13.92%	(3,837)	-4.17%	24.39%
Operating Income	2,603	2.05%	1,375	1.22%	89.33%	1,937	2.10%	34.41%
Non-operating Income/(Loss)								
Interest Expense, net	(85)		(110)			(141)		
LT Investment Income/(Loss), net	53		72			57		
Exchange Gain/(Loss), net	(253)		342			(244)		
Other Income/(Expense)	44		113			144		
PBT	2,361		1,792		31.75%	1,753		34.68%
Tax	(471)	-19.94%	(372)	-20.78%	26.43%	(304)	-17.34%	54.81%
Minority Interest	(14)		5			(18)		
PAT	1,876		1,424		31.68%	1,430		31.20%
Outstanding Shares (M)	1,667		1,517			1,382		

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Consolidated Balance Sheets

NT$M	2009/6/30		2009/3/31		2008/6/30	
Cash & ST Investments	26,226	17%	16,083	12%	11,011	9%
A/R	66,293	42%	61,698	46%	59,320	47%
Inventory	29,227	19%	24,321	18%	28,645	23%
Other current Assets	9,479	6%	4,816	4%	4,014	3%
Total Current Assets	131,225	83%	106,919	80%	102,991	81%
LT equity investments	5,035	3%	4,769	4%	4,006	3%
Property, plant and equipment	17,136	11%	17,600	13%	13,934	11%
Other assets	4,088	3%	4,076	3%	6,082	5%
Total Assets	157,484	100%	133,364	100%	127,012	100%
ST Borrowing	2,161	1%	2,529	2%	7,926	6%
A/P	87,802	56%	74,168	56%	64,640	51%
Other current liabilities	12,405	8%	9,347	7%	12,035	9%
Total Current Liabilities	102,368	65%	86,044	65%	84,601	67%
LT Debt	5,907	4%	6,105	5%	9,106	7%
Other liabilities	1,260	1%	1,468	1%	875	1%
Total Liabilities	109,535	70%	93,618	70%	94,582	74%
Shareholders' Equity	47,948	30%	39,746	30%	32,430	26%

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Consolidated Cash Flows

NT$M	1H'09	1H'08
Cash* (Beginning of period)	13,179	7,560
Cash flow from Operation		
Consolidated net income	3,309	3,155
Depreciation & amortization	2,599	1,548
(Income)/loss from equity method	(59)	(16)
Changes in A/R	(3,729)	(4,461)
Changes in A/P	11,013	9,197
Changes in inventories	2,591	(7,111)
Others	(2,541)	307
Cash provided by operating activities	13,182	2,617
Cash flow from Investment		
Capex	(2,660)	(2,396)
Others	(4)	(4,086)
Cash provided by investing activities	(2,663)	(6,482)
Cash flow from Finance		
Increase (decrease) in ST borrowings	(702)	(1,837)
LT debt	(3,951)	9,106
Issuance of common stock	7,234	-
Payment on cash dividends	-	-
Payment on directors' and supervisors' remuneration	-	-
Others	-	132
Cash provided by financing activities	2,581	7,401
Effect of exchange rate change & subsidiaries consolidated	(54)	(85)
Cash (End of period)	26,226	11,011

*** 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**

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Historical earning distribution

- Dividend

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

- Employee Bonus Dilution

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