

# Darfon Electronics Corp.

## 2Q 2009 Results Conference

Aug 25, 2009

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## **Safe Harbor Notice**

**We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.**

**We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events in the conference might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.**

# 2Q. 2009 Financial Highlights



# Consolidated Income Statement

Amount : NT\$ Million Except Per Share Data

	2Q'09		1Q'09		QoQ %	2Q'08		YoY %	1H'09	
<b>Net Sales</b>	7,159	100%	5,990	100%	20%	6,147	100%	16%	13,149	100%
<b>COGS</b>	6,389	89.25%	5,388	89.95%	19%	5,394	87.74%	18%	11,778	89.57%
<b>Gross profit</b>	770	10.75%	602	10.05%	28%	753	12.26%	2%	1,372	10.43%
<b>Operating Expenses</b>	548	7.65%	502	8.38%	9%	523	8.52%	5%	1,049	7.98%
<b>Operating income</b>	222	3.10%	100	1.67%	122%	230	3.74%	-3%	322	2.45%
<b>Net Non-operating items</b>	(29)	-0.40%	(12)	-0.20%	136%	(29)	-0.47%	0%	(41)	-0.31%
<b>Earning Before income tax (PBT)</b>	193	2.70%	88	1.47%	120%	201	3.27%	-4%	281	2.14%
<b>Adjustment(Minority interest)</b>	(1)	-0.02%	(2)	-0.03%	-26%	0	0.00%	-	(3)	-0.02%
<b>PBT after adjustment</b>	195	2.72%	90	1.50%	117%	201	3.27%	-3%	284	2.16%
<b>Net Income</b>	156	2.18%	69	1.18%	126%	170	2.77%	-8%	225	1.71%
<b>Attributable to:</b>										
<b>Equity holders of the parent company</b>	157		71			170			228	
<b>Minority interest</b>	(1)		(2)			0			(3)	
<b>Net Income</b>	156		69			170			225	
<b>Basic EPS (NT\$)(a)</b>	0.50		0.22			0.54			0.72	

(a) Basic EPS was calculated based on the current outstanding shares

- **KB ↑; PWR ↑**
- **Improving margin**
- **OPEX% ↓**



# Consolidated Balance Sheet Highlights

*Selected Items from Balance Sheets*

*(Amount : NT\$ Million Except Per Share Data)*

	2Q'09		1Q'09		QoQ %
<b>Cash &amp; Marketable Securities</b>	2,132	10%	2,196	10%	-3%
<b>Accounts receivable</b>	6,995	31%	6,336	29%	10%
<b>Inventory</b>	3,469	16%	3,441	16%	1%
<b>Current assets</b>	13,278	59%	12,672	58%	5%
<b>Net PP&amp;E</b>	8,610	39%	8,753	40%	-2%
<b>Total Assets</b>	22,354	100%	21,913	100%	2%
<b>Short term bank loans</b>	3,676	16%	4,305	20%	-15%
<b>Accounts payable</b>	6,819	31%	5,979	27%	14%
<b>Current liabilities</b>	12,723	57%	11,826	54%	8%
<b>L-T Interest-bearing Debt</b>	500	2%	500	2%	0%
<b>Total Liabilities</b>	13,278	59%	12,450	57%	7%
<b>Total stockholder' equities</b>	9,076	41%	9,463	43%	-4%
BVPS(NT\$)	28.7		31.6		

- **AR ↑ for growing sales , healthy Inventory**
- **CAPEX under control**
- **Net Debt ↓**



# Consolidated Cash Flow Highlights

(Amount : NT\$ Million Except Per Share Data)

	2Q'09	1Q'09	change	1H'09
<b>From Operating Activities</b>	1,003	(574)	1,577	429
Net Income	156	69	87	225
Depreciation & Amortization	369	345	24	715
Net Change in Working Capital	155	(739)	895	(584)
<b>From Investing Activities</b>	180	213	(32)	393
Capital Expenditure	(378)	(699)	321	(1,077)
<b>From Financing Activities</b>	(631)	(514)	(117)	(1,146)
Net Change in Debt	(629)	(514)	(114)	(1,143)
Cash Dividends	0	0	0	0
Employees' Compensation	0	0	0	0
<b>Net Change in Cash</b>	602	(935)	1,537	(333)

- Working capital ↓
- CAPEX ↓
- Deleverage to reduce bank loan



## Key Ratio Highlights

	2Q'09	1Q'09	QoQ
<b>Debt Ratio</b>	59%	57%	2.6 bps
<b>*Debt Ratio</b>	55%	51%	3.6 bps
<b>Net Debt(Cash) to Equity</b>	22%	26%	(4.0) bps
<b>Current Ratio</b>	104%	107%	(2.8) bps
<b>Days of Receivable</b>	89	97	(8) days
<b>Days of Inventory</b>	50	51	(1) days
<b>Days of AP</b>	97	101	(4) days
<b>Cash Conversion Cycle</b>	42	47	(5) days

- Net Debt to Equity% ↓
- CCC shorten, AR and inventory control well

# Q&A

*Thank You!*

FPD & Precision Component Solution Provider

**DARFON ELECTRONICS CORP.**

**Unaudited Consolidated Balance Sheets**

June 30, 2009 and 2008  
(expressed in thousands of New Taiwan dollars)

Assets	2009.6.30		2008.6.30		Liabilities and Stockholders' Equity	2009.6.30		2008.6.30	
	NTD	%	NTD	%		NTD	%	NTD	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 1,345,204	6	\$ 2,293,744	10	Short-term borrowings	3,676,059	16	\$ 5,726,745	25
Financial assets at fair value through profit or loss – current	386,360	2	2,593,367	11	Financial liabilities at fair value through profit or loss – current	-	-	11,832	-
Accounts receivable, net	6,677,525	30	5,342,893	24	Notes and accounts payable	6,806,667	31	6,067,688	27
Receivables from related parties, net	317,397	1	350,330	2	Payables to related parties	12,824	-	18,310	-
Other financial assets – current	491,066	3	1,100,754	5	Payables to other related parties	29,427	-	64,781	-
Inventories, net	3,468,590	16	3,223,187	14	Accrued expenses and other current liabilities	1,749,068	8	1,263,364	6
Prepaid expenses and other current assets	528,221	2	657,340	3	Financial debt at fair value through profit or loss	449,416	2	663,302	3
Deferred tax assets – current	64,120	-	66,439	-					
<b>Total current assets</b>	<b>13,278,483</b>	<b>60</b>	<b>15,628,054</b>	<b>69</b>	<b>Total current liabilities</b>	<b>12,723,461</b>	<b>57</b>	<b>13,816,022</b>	<b>61</b>
<b>Long-term investments at cost</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Long-term debt</b>	<b>500,000</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Property, plant and equipment:</b>					<b>Other liabilities</b>	<b>54,459</b>	<b>-</b>	<b>60,407</b>	<b>-</b>
Land	445,109	2	443,468	2	<b>Total liabilities</b>	<b>13,277,920</b>	<b>59</b>	<b>13,876,429</b>	<b>61</b>
Buildings	3,652,035	16	2,417,896	11					
Machinery and equipment	6,937,731	31	5,542,980	24	<b>Stockholders' equity</b>				
Molding equipment	155,510	1	132,386	1	Common stock	2,996,103	13	2,653,203	12
Furniture and fixtures	520,038	2	534,170	2	Capital surplus	4,644,362	21	4,640,868	20
Miscellaneous equipment	409,586	2	326,805	2	Stock Dividends To Be Distributed	171,455	1	342,900	2
Prepayments for plant and equipment	1,389,965	6	989,643	4	Legal reserve	421,074	2	345,676	2
	13,509,974	60	10,387,348	46	Retained earnings	584,210	3	750,956	3
Less: accumulated impairment	(89,685)	-	(89,685)	-	Translation adjustment	207,185	1	(4,910)	-
accumulated depreciation	(4,810,762)	(22)	(3,790,150)	(17)		9,024,389	41	8,688,693	39
<b>Net property, plant and equipment</b>	<b>8,609,527</b>	<b>38</b>	<b>6,507,513</b>	<b>29</b>	Minority interest	51,234	-	60,000	-
<b>Intangible assets</b>	<b>118,072</b>	<b>1</b>	<b>139,683</b>	<b>1</b>	<b>Total stockholders' equity</b>	<b>9,075,623</b>	<b>41</b>	<b>8,748,693</b>	<b>39</b>
<b>Other assets:</b>									
Assets for lease									
Idle assets	203,680	1	210,800	1					
Refundable deposits	32,633	-	28,148	-					
Deferred expenses	105,148	-	110,924	-					
<b>Total other assets</b>	<b>341,461</b>	<b>1</b>	<b>349,872</b>	<b>1</b>					
<b>Total assets</b>	<b>\$ 22,353,543</b>	<b>100</b>	<b>\$ 22,625,122</b>	<b>100</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 22,353,543</b>	<b>100</b>	<b>\$ 22,625,122</b>	<b>100</b>

**DARFON ELECTRONICS CORP.**

**Unaudited Consolidated Income Statements**

For the years ended June 30, 2009 and 2008  
(expressed in thousands of New Taiwan dollars)

	<b>2009.6.30</b>		<b>2008.6.30</b>	
	NTD	%	NTD	%
<b>Sales</b>	\$ 13,149,263	100	12,724,954	100
<b>Cost of goods sold</b>	(11,777,624)	(90)	(11,053,164)	(87)
<b>Gross profit</b>	1,371,639	10	1,671,790	13
<b>Operating expenses</b>				
Selling	(462,352)	(4)	(434,146)	(3)
Administrative	(260,942)	(2)	(259,272)	(2)
Research and development	(326,086)	(2)	(378,189)	(3)
	(1,049,380)	(8)	(1,071,607)	(8)
<b>Operating income</b>	322,259	2	600,183	5
<b>Non-operating income, net</b>	(41,002)	-	(1,078)	-
<b>Net income before income tax</b>	281,257	2	599,105	5
<b>Income tax expense</b>	(56,538)	-	(125,293)	(1)
<b>Net income</b>	<b>\$ 224,719</b>	<b>2</b>	<b>473,812</b>	<b>4</b>
<b>Attribute to:</b>				
Shareholders of the parent	227,704	2	473,812	4
Minority	(2,985)	-	-	-
	<b>\$ 224,719</b>	<b>2</b>	<b>473,812</b>	<b>4</b>
<b>Earnings per share(expressed in New Taiwan dollars)</b>	<b>\$ 0.72</b>		<b>1.49</b>	

**DARFON ELECTRONICS CORP.**

**Unaudited Consolidated Statements of Cash Flows**

For the years ended June 30, 2009 and 2008  
(expressed in thousands of New Taiwan dollars)

	<u>2009.6.30</u>	<u>2008.6.30</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 224,719	473,812
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	629,373	488,041
Amortization	84,788	123,179
Gain on disposal of short-term investment	(4,159)	(17,676)
Deferred income tax expense	(10,612)	(6,380)
Loss from disposal of property, plant and equipment	1,574	116
Fixed assets transferred to expenses	3,794	7,174
Accounts receivable	(285,946)	1,228,445
Receivables from related parties	(41,890)	217,503
Inventories	325,081	512,889
Other financial assets — current, prepaid expenses and other current assets	197,688	272,136
Notes and accounts payable	(577,595)	(1,904,901)
Accrued expenses and other current liabilities	66,646	(524,775)
Payables to other related parties	(48)	(843)
Payables to related parties	(66,049)	(49,625)
Prepaid expenses and other current assets	(69,974)	(379,207)
Other liability	(48,625)	1,181
<b>Net cash provided by operating activities</b>	<u>428,765</u>	<u>441,069</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of property, plant and equipment	1,076	-
Increase(Decrease) in Restricted deposit	706,192	(1,046,637)
Increase(Decrease) in refundable deposit	29,640	1,474
Additions to property, plant and equipment	(1,076,770)	(1,162,053)
Increase in refundable deposits	(92,490)	(152,045)
Increase in financial assets at fair value through profit or loss	883,722	(603,483)
Increase(Decrease) in equipment	(58,408)	-
<b>Net cash used in investing activities</b>	<u>392,962</u>	<u>(2,962,744)</u>
<b>Cash flows from financing activities:</b>		
Increase(Decrease) in short-term borrowings	(1,251,073)	4,097,852
Decrease in Long-term debt	108,000	-
Repurchase of common stock	-	(860,214)
Increase in minority interest	-	60,000
Payables to other related parties	-	(266,652)
Additions to long-term equity investment	(2,854)	-
<b>Net cash used in financing activities</b>	<u>(1,145,927)</u>	<u>3,030,986</u>
<b>Effect of exchange rate change on cash</b>	<u>(8,634)</u>	<u>(84,506)</u>
<b>Net increase in cash and cash equivalents</b>	(332,834)	593,817
<b>Cash and cash equivalents at beginning of year</b>	1,678,038	1,699,927
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,345,204</u>	<u>2,293,744</u>

**DARFON ELECTRONICS CORP.**

**Unaudited Consolidated Statements of Changes in Stockholders' Equity**

For the years ended June 30, 2009 and 2008  
(expressed in thousands of New Taiwan dollars)

	Common Stock	Stock Dividends To Be Distributed	Capital Surplus	Legal Reserve	Retained Earnings	Translation Adjustment	Treasure Stock	Minority Interest	Total
<b>Balance at January 1, 2008</b>	\$ 2,753,203	-	4,774,276	173,444	2,106,885	53,812	-	-	9,861,620
Purchase of treasury stock	-	-	-	-	-	-	(860,214)	-	(860,214)
Retirement of treasury stock	(100,000)	-	(173,408)	-	(586,806)	-	860,214	-	-
Appropriation approved by the stockholders :									
Legal reserve	-	-	-	172,232	(172,232)	-	-	-	-
Issuance of new shares from stockholders' dividends	-	265,320	-	-	(265,320)	-	-	-	-
Issuance of new shares from employees' stock dividends	-	77,580	-	-	(77,580)	-	-	-	-
Cash dividend to stockholders	-	-	-	-	(663,302)	-	-	-	(663,302)
Directors' and supervisors' remuneration	-	-	-	-	(15,501)	-	-	-	(15,501)
Cash bonus paid to employees	-	-	-	-	(49,000)	-	-	-	(49,000)
Change in translation adjustment	-	-	-	-	-	(58,722)	-	-	(58,722)
Change in minority Decrease	-	-	-	-	-	-	-	60,000	60,000
Net income for the six-month period ended June 30, 2008	-	-	-	-	473,812	-	-	-	473,812
<b>Balance at June 30, 2008</b>	<b>2,653,203</b>	<b>342,900</b>	<b>4,600,868</b>	<b>345,676</b>	<b>750,956</b>	<b>(4,910)</b>	-	<b>60,000</b>	<b>8,748,693</b>
<b>Balance at January 1, 2009</b>	2,996,103	-	4,600,868	345,676	1,031,125	242,206	-	57,073	9,273,051
Appropriation approved by the stockholders :									
Legal reserve	-	-	-	75,398	(75,398)	-	-	-	-
Issuance of new shares from stockholders' dividends	-	149,805	-	-	(149,805)	-	-	-	-
Issuance of new shares from employees' stock dividends	-	21,650	43,494	-	-	-	-	-	65,144
Cash dividend to stockholders	-	-	-	-	(449,416)	-	-	-	(449,416)
Change in translation adjustment	-	-	-	-	-	(35,021)	-	-	(35,021)
Net income for the six-month period ended June 30, 2009	-	-	-	-	227,704	-	-	(2,985)	224,719
Change in minority interest	-	-	-	-	-	-	-	(2,854)	(2,854)
<b>Balance at June 30, 2009</b>	<b>\$ 2,996,103</b>	<b>171,455</b>	<b>4,644,362</b>	<b>421,074</b>	<b>584,210</b>	<b>207,185</b>	-	<b>51,234</b>	<b>9,075,623</b>