

Q1 2010 Results Conference

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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.

Q1 2010 Financial Highlights



Consolidated Income Statement

Amount : NT\$ Million Except Per Share Data

	1Q'10		4Q'09		QoQ %	1Q'09		YoY %
Net Sales	7,160	100.00%	8,036	100.00%	-11%	5,990	100.00%	20%
COGS	6,248	87.26%	7,014	87.29%	-11%	5,388	89.95%	16%
Gross profit	912	12.74%	1,022	12.71%	-11%	602	10.05%	52%
Operating Expenses	623	8.69%	629	7.83%	-1%	502	8.38%	24%
Operating income	290	4.05%	392	4.88%	-26%	100	1.67%	190%
Net Non-operating items	(13)	-0.18%	(24)	-0.30%	-48%	(12)	-0.20%	4%
Earning Before income tax (PBT)	277	3.87%	368	4.58%	-25%	88	1.47%	215%
Adjustment(Minority interest)	(0)	-0.01%	(1)	-0.01%	-28%	(2)	-0.03%	-
PBT after adjustment	278	3.88%	368	4.58%	-25%	90	1.50%	210%
Net Income	222	3.10%	298	3.71%	-25%	69	1.15%	222%
Attributable to:								
Equity holders of the parent company	222		298			71		
Minority interest	(0)		(1)			(2)		
Net Income	222		298			69		
Basic EPS (NT\$(a))	0.70		0.94			0.24		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each quarter

- Quarterly gross margin is recovering
- OPEX% increased due to new products R&D, but expected to be decreased in the following Quarter



Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

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

	1Q'10		4Q'09		QoQ %
Cash & Marketable Securities	1,770	8%	2,078	9%	-15%
Accounts receivable	6,841	32%	7,504	34%	-9%
Inventory	3,221	15%	3,097	14%	4%
Current assets	12,189	56%	13,201	60%	-8%
Net PP&E	8,834	41%	8,402	38%	5%
Total Assets	21,652	100%	22,136	100%	-2%
Short term bank loans	2,000	9%	2,529	11%	-21%
Accounts payable	7,027	32%	7,506	34%	-6%
Current liabilities	11,058	51%	11,715	53%	-6%
L-T Interest-bearing Debt	800	4%	800	4%	0%
Total Liabilities	11,882	55%	12,553	57%	-5%
Total stockholder' equities	9,770	45%	9,584	43%	2%
BVPS(NT\$)	30.8		30.3		

- AR and Inventory are well managed
- Cash decreased due to deleverage



Consolidated Cash Flow Highlights

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

	1Q'10	4Q'09	change
From Operating Activities	571	1,259	(689)
Net Income	222	298	(75)
Depreciation & Amortization	315	288	27
Net Change in Working Capital	61	1,032	(971)
From Investing Activities	(158)	(82)	(76)
Capital Expenditure	(259)	(142)	(117)
From Financing Activities	(529)	(1,006)	477
Net Change in Debt	(529)	(1,006)	477
Cash Dividends	0	0	0
Employees' Compensation	0	0	0

- Net Working capital Cash inflow
- Deleverage to reduce bank loan



Key Ratio Highlights

	1Q'10	4Q'09	QoQ
Debt Ratio	55%	57%	(1.83) bps
*Debt Ratio	51%	48%	2.94 bps
Net Debt(Cash) to Equity	11%	13%	(2.51) bps
Current Ratio	110%	105%	5.07 bps
Cash Conversion Cycle	30	32	(2) days

- Debt ratio is well structured
- CCC is well managed

Q&A

FPD & Precision Component Solution Provider

Thank You!

DARFON ELECTRONICS CORP.

Unaudited Consolidated Balance Sheets

March 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

Assets	2010.3.31		2009.3.31		Liabilities and Stockholders' Equity	2010.3.31		2009.3.31	
	NTD	%	NTD	%		NTD	%	NTD	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 1,121,147	5	742,964	3	Short-term borrowings	\$ 1,999,519	9	4,304,694	20
Financial assets at fair value through profit or loss	196,979	1	1,051,659	5	Notes and accounts payable	6,995,982	33	5,961,104	27
Accounts receivable, net	6,563,702	30	6,126,645	28	Payables to related parties	31,328	-	17,755	-
Receivables from related parties, net	277,162	1	209,056	1	Payables to other related parties	18,896	-	80,042	-
Other financial assets – current	451,464	2	590,634	3	Accrued expenses and other current liabilities	2,011,942	9	1,461,932	7
Inventories, net	3,220,730	15	3,440,647	16	Financial debt at fair value through profit or loss	-	-	86	-
Prepaid expenses and other current assets	307,656	2	445,897	2					
Deferred tax assets – current	50,347	-	64,479	-	Total current liabilities	<u>11,057,667</u>	<u>51</u>	<u>11,825,613</u>	<u>54</u>
Total current assets	<u>12,189,187</u>	<u>56</u>	<u>12,671,981</u>	<u>58</u>	Long-term debt	800,000	4	500,000	2
Long-term investments at cost	<u>76,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	Deferred income tax liabilities-noncurrent	-	-	-	-
Property, plant and equipment:					Other liabilities	24,466	-	124,386	1
Land	445,005	2	444,974	2					
Buildings	5,646,177	26	3,709,735	17	Total liabilities	<u>11,882,133</u>	<u>55</u>	<u>12,449,999</u>	<u>57</u>
Machinery and equipment	7,206,605	33	7,172,103	33					
Molding equipment	159,862	1	140,271	1	Stockholders' equity				
Furniture and fixtures	486,746	2	547,503	2	Common stock	3,167,558	15	2,996,103	14
Miscellaneous equipment	378,474	2	379,963	2	Capital surplus	4,644,362	22	4,600,868	21
Prepayments for plant and equipment	78,081	-	1,321,680	6	Legal reserve	421,074	1	345,676	1
	<u>14,400,950</u>	<u>66</u>	<u>13,716,229</u>	<u>63</u>	Retained earnings	1,445,164	7	1,101,760	5
Less: accumulated impairment	(89,685)	-	(89,685)	-	Translation adjustment	42,438	-	363,696	2
accumulated depreciation	(5,477,391)	(25)	(4,873,914)	(22)		<u>9,720,596</u>	<u>45</u>	<u>9,408,103</u>	<u>43</u>
Net property, plant and equipment	<u>8,833,874</u>	<u>41</u>	<u>8,752,630</u>	<u>41</u>	Minority interest	49,323	-	55,389	-
Intangible assets	<u>112,123</u>	<u>1</u>	<u>129,771</u>	<u>-</u>	Total stockholders' equity	<u>9,769,919</u>	<u>45</u>	<u>9,463,492</u>	<u>43</u>
Other assets:									
Idle assets	198,545	1	205,460	1	Total liabilities and stockholders' equity	<u>\$ 21,652,052</u>	<u>100</u>	<u>21,913,491</u>	<u>100</u>
Refundable deposits	66,331	-	48,290	-					
Deferred expenses	129,951	1	99,359	-					
Deferred income tax asset – noncurrent	46,041	-	-	-					
Total other assets	<u>440,868</u>	<u>2</u>	<u>353,109</u>	<u>1</u>					
Total assets	<u>\$ 21,652,052</u>	<u>100</u>	<u>21,913,491</u>	<u>100</u>					

DARFON ELECTRONICS CORP.

Unaudited Consolidated Income Statements

For the years ended March 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	2010.3.31		2009.3.31	
	NTD	%	NTD	%
Sales	\$ 7,160,104	100	5,989,990	100
Cost of goods sold	(6,247,708)	(87)	(5,388,245)	(90)
Gross profit	912,396	13	601,745	10
Operating expenses				
Selling	(280,379)	(4)	(226,461)	(4)
Administrative	(148,527)	(2)	(123,900)	(2)
Research and development	(193,624)	(3)	(151,304)	(2)
	(622,530)	(9)	(501,665)	(8)
Operating income	289,866	4	100,080	2
Non-operating income, net	(12,685)	-	(12,202)	(1)
Net income before income tax	277,181	4	87,878	1
Income tax expense	(55,136)	(1)	(18,927)	-
Net income	\$ 222,045	3	68,951	1
Attribute to:				
Shareholders of the parent	\$ 222,478	-	70,635	1
Minority	(433)	-	(1,684)	-
	\$ 222,045	3	68,951	1
Earnings per share(expressed in New Taiwan dollars)	\$ 0.70		0.22	

DARFON ELECTRONICS CORP.

Unaudited Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	<u>2010.3.31</u>	<u>2009.3.31</u>
Cash flows from operating activities:		
Net income	\$ 222,045	68,951
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	288,455	310,746
Amortization	26,658	34,438
Loss from disposal of property, plant and equipment	-	873
Fixed assets transferred to expenses	-	76
Loss(Gain) on evaluation of financial assets	8,359	(16,065)
Deferred income tax	(7,023)	(10,971)
Changes in operating assets and liabilities:		
Accounts receivable	653,005	264,934
Receivables from related parties	10,204	66,430
Receivables from other related parties	795	(27)
Inventories	(123,531)	351,331
Prepaid expenses and other current assets	149,293	13,136
Other financial assets	(15,268)	98,458
Notes and accounts payable	(481,552)	(1,423,158)
Payables to related parties	3,321	1,020
Accrued expenses and other current liabilities	(158,916)	(339,008)
Payables to other related parties	8,265	(11,523)
Other liability	(13,587)	21,302
Net cash provided by operating activities	<u>570,523</u>	<u>(569,057)</u>
Cash flows from investing activities:		
Decrease in financial assets at fair value through profit or loss	363,098	230,415
Increase in Long-term equity investment	(70,000)	-
Additions to property, plant and equipment	(258,954)	(703,710)
Proceeds from disposal of property, plant and equipment	-	2,851
Decrease in refundable deposit	349	13,983
Decrease(Increase) in Restricted deposit	(157,911)	705,854
Increase in intangible assets and deferred expenses	(34,984)	(41,841)
Net cash used in investing activities	<u>(158,402)</u>	<u>207,552</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(529,278)	(622,438)
Increase in Long-term debt	-	108,000
Net cash used in financing activities	<u>(529,278)</u>	<u>(514,438)</u>
Effect of exchange rate change on cash	6,898	(59,131)
Net increase in cash and cash equivalents	(110,259)	(935,074)
Cash and cash equivalents at beginning of year	1,231,406	1,678,038
Cash and cash equivalents at end of year	<u>\$ 1,121,147</u>	<u>742,964</u>