

Darfon Electronics Corp.

4Q 2010 Investor Conference

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Agenda

- **4Q 2010 Financial Highlights**
- **Business Outlook**
- **Q&A**



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.

4Q 2010 Financial Highlights



Consolidated Income Statement Highlights

Unit: NT\$ million except per share data

	4Q'10		3Q'10		QoQ %	4Q'09		YoY %	2010		YoY %
Net sales	6,710	100.0%	7,083	100.0%	-5.3%	8,036	100.0%	-16.5%	29,665	100.0%	1.1%
Gross profit	708	10.6%	740	10.4%	-4.3%	1,022	12.7%	-30.7%	3,472	11.7%	0.1%
Operating expenses	669	10.0%	666	9.4%	0.5%	629	7.8%	6.3%	2,673	9.0%	15.7%
Operating income	39	0.6%	74	1.0%	-47.1%	392	4.9%	-90.0%	798	2.7%	-31.0%
Net non-operating items	(26)	-0.4%	(1)	0.0%		(24)	-0.3%		(46)	-0.2%	-44.5%
Earning before income tax (EBT)	14	0.2%	73	1.0%	-81.2%	368	4.6%	-96.3%	752	2.5%	-29.9%
Net income	10	0.2%	58	0.8%	-82.7%	298	3.7%	-96.6%	601	2.0%	-30.3%
Attributable to:											
Equity holders of the parent company	11		59			298			603		
Basic EPS (NT\$)(a)	0.03		0.18			0.90			1.81		
ROE	0.4%		2.4%			12.6%			6.5%		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each year (332.758m shares in 2010 and 331.656m shares in 2009)

- Annual revenue reached record high
- Gross margin is improving under the pressure of NTD appreciation



Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

Unit : NT\$ million except per share data

	4Q'10		3Q'10		4Q'09	
Cash & marketable securities	1,611	7.9%	1,020	4.8%	1,800	8.1%
Accounts receivable	5,667	27.8%	6,642	31.3%	7,504	33.9%
Inventory	3,280	16.1%	3,401	16.0%	3,097	14.0%
Current assets	11,340	55.5%	11,891	56.0%	13,201	59.6%
Net PP&E	8,361	41.0%	8,717	41.0%	8,402	38.0%
Total assets	20,418	100.0%	21,249	100.0%	22,136	100.0%
Short-term bank loans	2,056	10.1%	1,281	6.0%	2,529	11.4%
Accounts payable	6,495	31.8%	7,465	35.1%	7,506	33.9%
Current liabilities	10,682	52.3%	10,877	51.2%	11,715	52.9%
Long-term interest-bearing debt	832	4.1%	534	2.5%	800	3.6%
Total liabilities	11,550	56.6%	11,435	53.8%	12,553	56.7%
Total stockholders' equities	8,869	43.4%	9,814	46.2%	9,584	43.3%
BVPS(NT\$)	27.8		29.3		30.3	
Net Debt (Cash)	1,276		795		1,529	

- Well management in account receivable and inventory
- Total shareholders' equities/BVPS reduced due to treasury stock



Consolidated Cash Flow Highlights

Unit : NT\$ million

	4Q'10	3Q'10	change	2010	2009	change
From operating activities	706	230	476	2,790	1,913	877
Net income	10	58	(48)	601	862	(261)
Depreciation & amortization	308	325	(17)	1,278	1,384	(107)
Net change in working capital	147	334	(187)	666	(38)	703
From investing activities	(599)	201	(800)	(1,145)	89	(1,234)
Capital expenditure	(321)	(208)	(113)	(1,175)	(1,516)	341
From financing activities	468	(753)	1,221	(1,426)	(2,440)	1,014
Net change in debt	1,072	(373)	1,446	(441)	(1,990)	1,549
Cash dividends	0	(380)	380	(380)	(449)	69
Treasury stock	(605)	0	(605)	(605)		
Net change in cash	590	(304)	893	258	(447)	704
Free cash flow	385	22	363	1,615	397	1,218

Note: Free cash flow = Cash flow from operating activities - Capital expenditure

- **Healthy operating cash inflow**
- **Free cash flow provided more flexibility**



Key Ratio Highlights

	4Q'10	3Q'10	QoQ	4Q'09	YoY
Debt ratio	57%	54%	2.8 bps	57%	(0.1) bps
*Debt ratio	53%	51%	1.4 bps	53%	(0.0) bps
Net debt (Cash) to equity	14%	8%	6.3 bps	16%	(1.6) bps
Current ratio	106.2	109.3	(3.2) bps	113	(6.5) bps
Cash conversion cycle	30	31	(1.4) days	30	0.0 days

- Debt ratio is well managed
- CCC is kept in healthy level

Business Outlook



Q&A

Thank You!



DARFON ELECTRONICS CORP.
Unaudited Consolidated Balance Sheets
December 31, 2010 and 2009
(expresses in thousands of New Taiwan dollars)

Assets	2010.12.31		2009.12.31		Liabilities and Stockholders' Equity	2010.12.31		2009.12.31	
	NTD	%	NTD	%		NTD	%	NTD	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$1,489,056	7	\$1,231,406	6	Short-term borrowings	\$2,001,511	10	\$2,528,797	11
Financial assets at fair value through profit or loss—current	122,140	1	586,436	3	Notes and accounts payable	6,454,222	32	7,477,534	34
Accounts receivable, net	5,628,953	28	7,216,707	33	Payables to related parties	40,400	-	28,007	-
Receivables from related parties, net	38,522	-	287,193	1	Accrued expenses and other current liabilities	2,109,959	11	1,669,834	8
Other receivables from related parties, net	34,797	-	968	-	Financial liabilities at fair value through profit or loss	4,373	-	-	-
Other financial assets—current	235,397	1	278,285	1	Other payables to related parties	17,140	-	10,631	-
Inventories, net	3,279,567	16	3,097,199	14	Long-term debt due within one year	54,000	-	-	-
Prepaid expenses and other current assets	442,732	2	456,949	2	Total current liabilities	10,681,605	53	11,714,803	53
Deferred tax assets—current	68,415	-	64,053	-					
Total current assets	11,339,579	55	13,219,196	60	Long-term debt	832,080	4	800,000	4
Long-term investments at cost	103,457	1	6,000	-	Other liabilities	35,849	-	38,053	-
Property, plant and equipment:					Total liabilities	11,549,534	57	12,552,856	57
Land	445,385	2	449,416	2					
Buildings	5,603,446	28	4,099,535	19	Stockholders' equity				
Machinery and equipment	6,953,867	34	7,129,829	32	Common stock	3,349,020	16	3,167,558	14
Molding equipment	153,321	1	159,565	1	Capital surplus	4,696,116	23	4,644,362	21
Furniture and fixtures	487,440	2	510,954	2	Legal reserve	507,692	2	421,074	2
Miscellaneous equipment	300,292	1	367,487	2	Retained earnings	1,200,540	6	1,222,686	6
Prepayments for plant and equipment	232,887	1	1,018,464	4	Translation adjustment	-327,461	- 1	78,137	-
	14,176,638	69	13,735,250	62	Treasury stock	-604,602	- 3	-	-
Less: accumulated impairment accumulated depreciation	-95,476 - -5,719,734	- - 28	-89,685 - -5,234,630	- - 25		8,821,305	43	9,533,817	43
Net property, plant and equipment	8,361,428	41	8,410,935	37	Minority interest	47,251	-	49,756	-
Intangible assets	103,014	1	111,953	1	Total stockholders' equity	8,868,556	43	9,583,573	43
Other assets:									
Idle assets	193,176	1	200,335	1					
Refundable deposits	20,879	-	66,680	-	Total liabilities and stockholders' equity	\$20,418,090	100	\$22,136,429	100
Deferred expenses and tax assets	296,557	1	148,330	1					
Total other assets	510,612	2	415,345	2					
Total assets	\$20,418,090	100	\$22,163,429	100					



DARFON ELECTRONICS CORP.
Unaudited Consolidated Income Statements
For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	<u>2010</u>		<u>2009</u>	
	NTD	%	NTD	%
Sales	\$ 29,664,951	100	29,350,624	100
Cost of goods sold	-26,193,405	- 88	-25,883,116	- 88
Gross profit	<u>3,471,546</u>	<u>12</u>	<u>3,467,508</u>	<u>12</u>
Operating expenses				
Selling	-1,198,140	- 4	-1,038,962	- 3
Administrative	-620,146	- 2	-564,349	- 2
Research and development	-855,036	- 3	-707,641	- 3
	<u>-2,673,322</u>	<u>- 9</u>	<u>-2,310,952</u>	<u>- 8</u>
Operating income	<u>798,224</u>	<u>3</u>	<u>1,156,556</u>	<u>4</u>
Non-operating income, net	<u>-46,013</u>	<u>-</u>	<u>-82,850</u>	<u>- 1</u>
Net income before income tax	<u>752,211</u>	<u>3</u>	<u>1,073,706</u>	<u>3</u>
Income tax expense	<u>-151,496</u>	<u>- 1</u>	<u>-211,990</u>	<u>-</u>
Net income	<u>\$ <u>600,715</u></u>	<u>2</u>	<u>\$ <u>861,716</u></u>	<u>3</u>
Attribute to:				
Shareholders of the parent	602,957	2	866,180	3
Minority	-2,242	0	-4,464	0
	<u>\$ <u>600,715</u></u>	<u>2</u>	<u>\$ <u>861,716</u></u>	<u>3</u>
Earnings per share(expressed in New Taiwan dollars)	<u>\$ <u>1.81</u></u>		<u>\$ <u>2.61</u></u>	



DARFON ELECTRONICS CORP.
Unaudited Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income	\$ 600,715	861,716
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,143,100	1,244,325
Amortization	134,479	140,065
Loss from disposal of property, plant and equipment	31,940	-
Fixed assets transferred to expenses	5,910	30
Loss(Gain) on evaluation of financial assets	17,111	-
Deferred income tax expense (Gain)	-	35,857
Changes in operating assets and liabilities:		
Accounts receivable	1,587,754	-
Receivables from related parties	248,671	-
Other receivables from related parties	784	-
Inventories	-	694,779
Prepaid expenses and other current assets	14,217	1,298
Other financial assets	197,596	48,665
Notes and accounts payable	-	93,272
Payables to related parties	12,393	11,272
Accrued expenses and other current liabilities	9,360	-
Other payables to related parties	6,509	-
Other loss and liability	-	57,933
Net cash provided by operating activities	<u>2,790,395</u>	<u>1,912,983</u>
Cash flows from investing activities:		
Increase in financial assets at fair value through profit or loss	433,558	711,523
Acquisition of long-term investments at cost	-	-
Acquisition of property, plant and equipment	-	1,516,029
Proceeds from disposal of property, plant and equipment	92,083	4,751
Decrease(Increase) in restricted deposit	-	1,067,996
Decrease(Increase) in refundable deposit	45,801	-
Acquisition of intangible assets and deferred expense	-	172,008
Machinery and equipment receivable from related parties	-	34,613
Acquisition shares from minority interest shareholders of subsidiary	-	263
Net cash used in investing activities	<u>- 1,144,810</u>	<u>88,973</u>
Cash flows from financing activities:		
Increase(Decrease) in short-term borrowings	-	2,398,335
Increase in Long-term debt	616,080	408,000
Decrease in Long-term debt	-	530,000
Cash dividends paid for common stock	-	380,107
Treasury stock buy back	-	604,602
Net cash used in financing activities	<u>- 1,425,915</u>	<u>- 2,439,751</u>
Effect of exchange rate change on cash	<u>37,980</u>	<u>- 8,837</u>
Net increase in cash and cash equivalents	<u>257,650</u>	<u>- 446,632</u>
Cash and cash equivalents at beginning of year	<u>1,231,406</u>	<u>1,678,038</u>
Cash and cash equivalents at end of year	<u>\$ 1,489,056</u>	<u>1,231,406</u>