

Darfon Electronics Corp.

2Q 2011 Investor Conference

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Agenda

- **2Q 2011 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.

2Q 2011 Financial Highlights



Consolidated Income Statement Highlights

Unit: NT\$ million except per share data

	2Q'11		1Q'11		QoQ %	2Q'10		YoY %
Net sales	6,663	100.0%	6,124	100.0%	8.8%	8,713	100.0%	-23.5%
COGS	(5,970)	-89.6%	(5,518)	-90.1%	8.2%	(7,601)	-87.2%	-21.5%
Gross profit	692	10.4%	606	9.9%	14.2%	1,111	12.8%	-37.7%
Operating expenses	(648)	-9.7%	(581)	-9.5%	11.5%	(716)	-8.2%	-9.5%
Operating income	44	0.7%	25	0.4%	76.3%	395	4.5%	-88.8%
Net non-operating items	6	0.1%	(1)	0.0%	N/A	(6)	-0.1%	N/A
Earning before income tax (EBT)	51	0.8%	25	0.4%	106.6%	388	4.5%	-87.0%
Net income	40	0.6%	20	0.3%	98.9%	310	3.6%	-87.0%
Attributable to:								
Equity holders of the parent company	41		21			311		
Net income	40	0.6%	20	0.3%	98.9%	310	3.6%	-87.0%
Basic EPS (NT\$)(a)	0.13		0.07			0.93		
ROE	1.9%		0.9%			12.6%		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each year
(318.902m shares in 2011 and 332.850m shares in 2010)

- Quarterly is recovering due to new NB keyboard launch
- Quarterly gross margin is improving
- Operating expense is controlled and FX risk is well hedged



Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

Unit : NT\$ million except per share data

	2Q'11		1Q'11		2Q'10	
Cash & marketable securities	1,298	6.3%	1,734	8.6%	1,662	7.0%
Accounts receivable	6,050	29.5%	5,460	27.2%	8,191	34.4%
Inventory	3,782	18.5%	3,232	16.1%	3,599	15.1%
Current assets	11,768	57.4%	11,219	55.8%	14,252	59.8%
Net PP&E	8,019	39.1%	8,242	41.0%	8,905	37.4%
Total assets	20,494	100.0%	20,097	100.0%	23,814	100.0%
Short-term bank loans	2,210	10.8%	2,277	11.3%	1,436	6.0%
Accounts payable	6,861	33.5%	6,387	31.8%	8,879	37.3%
Current liabilities	11,371	55.5%	10,397	51.7%	13,164	55.3%
Long-term interest-bearing debt	640	3.1%	668	3.3%	752	3.2%
Total liabilities	12,056	58.8%	11,139	55.4%	13,945	58.6%
Total stockholders' equities	8,438	41.2%	8,957	44.6%	9,870	41.4%
BVPS(NT\$)	26.5		28.1		31.2	
Net Debt (Cash)	1,551		1,212		527	

- Account receivable and inventory increase with revenue recovery
- Total stockholders' equities decline due to cash dividend to be distributed



Consolidated Cash Flow Highlights

Unit : NT\$ million

	2Q'11	1Q'11	Change
From operating activities	36	206	(170)
Net income	40	20	20
Depreciation & amortization	299	297	2
Net change in working capital	(672)	157	(829)
From investing activities	(400)	(157)	(243)
Capital expenditure	(316)	(274)	(42)
From financing activities	(85)	53	(138)
Net change in debt	(85)	53	(138)
Net change in cash	(416)	79	(496)
Free cash flow	(280)	(68)	(212)

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

● **Healthy operating cash inflow**



Key Ratio Highlights

	2Q'11	1Q'11	QoQ	2Q'10	YoY
Debt ratio	59%	55%	3.4 bps	59%	0.3 bps
*Debt ratio	56%	51%	4.8 bps	55%	0.6 bps
Net debt (Cash) to equity	18%	14%	4.9 bps	5%	13.1 bps
Current ratio	103.5	107.9	(4.4) bps	108.3	(4.8) bps
Cash conversion cycle	35	29	6.0 days	28	7.0 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
June 30, 2011 and 2010
 (expressed in thousands of New Taiwan dollars)

Assets	2011.06.30		2010.06.30		Liabilities and Stockholders' Equity	2011.06.30		2010.06.30	
	NTD	%	NTD	%		NTD	%	NTD	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$1,151,916	6	\$1,203,312	5	Short-term borrowings	\$2,210,175	11	\$1,418,390	6
Financial assets at fair value through profit or loss – current	146,511	1	458,537	2	Notes and accounts payable	6,804,799	33	8,835,902	37
Accounts receivable, net	6,015,474	29	8,157,489	34	Payables to related parties	56,525	-	43,156	-
Receivables from related parties, net	34,325	-	33,899	-	Accrued expenses and other current liabilities	1,821,209	9	2,427,592	10
Other receivables from related parties, net	-	-	-	-	Financial liabilities at fair value through profit or loss	-	-	9,704	-
Other financial assets – current	167,155	1	181,040	1	Other payables to related parties	-	-	30,714	-
Inventories, net	3,782,288	18	3,599,157	15	Long-term debt due within one year	-	-	18,000	-
Prepaid expenses and other current assets	409,959	2	567,998	2	Dividend payable	478,353	2	380,107	2
Deferred tax assets – current	60,335	-	50,842	-	Total current liabilities	11,371,061	55	13,163,565	55
Total current assets	11,767,963	57	14,252,274	59	Long-term debt	639,600	3	752,000	3
Long-term investments at cost	103,457	1	103,457	-	Other liabilities	45,067	-	28,983	-
Property, plant and equipment:					Total liabilities	12,055,728	58	13,944,548	58
Land	445,544	2	444,872	2	Stockholders' equity				
Buildings	5,716,180	28	5,774,831	24	Common stock	3,189,020	16	3,167,558	13
Machinery and equipment	6,941,904	34	7,521,038	32	Stock dividends to be distributed	-	-	181,462	1
Molding equipment	-	-	-	-	Capital surplus	4,471,758	22	4,696,116	20
Furniture and fixtures	510,065	2	532,624	2	Legal reserve	567,988	3	507,692	2
Miscellaneous equipment	225,573	1	358,898	2	Retained earnings	503,476	3	1,130,842	5
Prepayments for plant and equipment	166,286	1	124,867	1	Translation adjustment	-332,872	-2	137,130	1
	14,005,552	68	14,757,130	63	Net loss not recognized as pension cost	-6,269	-	-	-
Less: accumulated impairment	-95,014	-	-89,685	-		8,393,101	42	9,820,800	42
accumulated depreciation	-5,891,075	-29	-5,762,706	-24	Minority interest	44,880	-	48,765	-
Net property, plant and equipment	8,019,463	39	8,904,739	39	Total stockholders' equity	8,437,981	42	9,869,565	42
Intangible assets	258,379	1	112,865	-	Total liabilities and stockholders' equity	\$20,493,709	100	\$23,814,113	100
Other assets:									
Idle assets	120,069	1	196,755	1					
Refundable deposits	29,561	-	44,533	-					
Deferred expenses and tax assets	194,817	1	199,490	1					
Total other assets	344,447	2	440,778	2					
Total assets	\$20,493,709	100	\$23,814,113	100					



DARFON ELECTRONICS CORP.
Unaudited Consolidated Income Statements
For the Six Month Ended June 30, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011		2010	
	NTD	%	NTD	%
Sales	\$ 12,786,487	100	15,872,636	100
Cost of goods sold	-11,487,678	- 90	-13,849,113	- 87
Gross profit	1,298,809	10	2,023,523	13
Operating expenses				
Selling	-505,248	- 4	-610,668	- 4
Administrative	-303,396	- 2	-305,633	- 2
Research and development	-420,657	- 3	-422,610	- 3
	-1,229,301	- 9	-1,338,911	- 9
Operating income	69,508	1	684,612	4
Non-operating income, net	5,649	-	-19,109	-
Net income before income tax	75,157	1	665,503	4
Income tax expense	-14,450	-	-133,235	- 1
Net income	\$ 60,707	1	532,268	3
Attribute to:				
Shareholders of the parent	61,829	1	533,259	3
Minority	-1,122	-	-991	-
	\$ 60,707	1	532,268	3
Earnings per share(expressed in New Taiwan dollars)	\$ 0.19		1.60	

