

KYE Review and Perspective 2008 Q4

Alex Lee / President



Mar. 18, 2009

About Us



- **Headquarter** : Taipei, Taiwan, R.O.C.
- **Founded** : November 3, 1983
- **Capital (as of Dec. 31, 2008)** : NT\$2,643 Million
- **Capital (weighted average shares outstanding)** : NT\$ 2,801 Million
- **Major shareholder (as of Mar. 3, 2009): Jwo & Chen's Family(30%-35%)
QFII(18.6%); Local fund(3.5%) ; Employee(3%-4%)**
- **Revenue** : US\$ 400 Million (2008, down 3%-5%)
- **Employees** : 2,935 (Taipei:365, Marketing subsidiary:70, Factory:2,500)
- **Core technology** {
 - Input Device : Mice, K/B
 - Image: WebCam, Security Cam, Digital Photo Frame
 - Acoustic products: Speakers, Headsets
- **Sales Office** : US, Germany, UK, HK, China
- **Marketing Rep.** {
 - America: Brazil, Mexico, Chile
 - EMEA: Poland, Ukraine, Italy, Czech, Iran, Turkey,
Spain, Hungary, Romania
 - Asia-Pacific: India, Vietnam, South Africa, Peking
- **PR Consultant** {
 - America: U.S.
 - EMEA: Italy, Poland, Czech, Kazakhstan, Turkey, Iran
Germany, France, UK
 - Asia-Pacific: Vietnam, India, Indonesia
- **Factory** : Dong Guan Guang Dong , China



Income Statement Summary



- ✓ **Net Income recorded NT\$66mn, or EPS\$0.23, in Q4 2008, down significantly by 80% qoq/ yoy, due to this huge financial crisis and economic slow down globally. Net income ended NT\$842mn, or EPS\$3.18, for the whole 2008.**
- ✓ **Weaker than expected demand due to the chaos financial markets, deep drops of currencies prices and shortage of liquidity in Emerging countries across abroad negatively influence our Genius brand business in Q4, 2008, especially in Nov. and Dec.**
- ✓ **Genius still contributing 59% for sales and 75% for profits in 2008 despite a weak Q4 performance.**
- ✓ **Gross margins slightly declined to 20.9% in Q4, making a still favorite level of 21.2% for 2008.**
- ✓ **Employee bonus expense accounted for NT\$81M, less than 10% of net income, in 2008, raising expense ratio about 0.6% to 12%.**

Key Financials-Consolidated P/L (unaudited)



in millions of NT\$

Item	2008		2007		YOY%	2008Q4		YOY%	QOQ%
Net Sales	12,581	100%	13,496	100%	(6.8%)	2,801	100%	(24.2%)	(29.7%)
COGS	9,917	78.8%	10,544	78.1%	(5.9%)	2,216	79.1%	(23.6%)	(28.6%)
Gross Profit	2,664	21.2%	2,952	21.9%	(9.7%)	586	20.9%	(26.2%)	(33.8%)
Operating Expense	1,504	12.0%	1,570	11.6%	(4.2%)	339	12.1%	(27.5%)	(26.3%)
Operating Income	1,160	9.2%	1,382	10.3%	(16.0%)	248	8.8%	(24.4%)	(41.9%)
Non-Operating	(126)	(1.0%)	161	1.2%	(178%)	(159)	(5.8%)	(333%)	(548%)
Income before Tax	1,034	8.2%	1,543	11.4%	(33%)	88	3.1%	(77.7%)	(80.9%)
EPS(Pretax)**	3.69		5.74			0.31			
Net Income	842	6.7%	1,211	9.0%	(30.4%)	66	2.3%	(79.2%)	(83%)
EPS(After-tax)*	3.01		4.50			0.23			
EPS(After-tax)**	3.18		4.81						

*Note1 : EPS are based on the weighted average shares outstanding of 280,101K and 268,967K shares in 2008 and 2007.

**Note2 : Calculated on issued shares of 264,300K by the end of 08 after capital reduction.



Key Financials



Consolidated B/S- Unaudited

in millions of NT\$

<i>YoY Comparison¹</i>	2008 Q4		2008 Q3		2007 Q4	
Cash & Equiv.	639	8.3%	1,028	13.3%	1,919	25.4%
Financial Assets	231	3.0%	326	4.2%	464	6.1%
Account Receivable	1,961	25.3%	2,959	38.3%	2,138	28.3%
Inventories	1,633	21.1%	1,690	21.9%	1,526	20.2%
Bank Loan	0	0%	0	0%	0	0%
Equity	4,121	53.3%	4,136	53.5%	4,709	62.3%
Total Assets	7,736	100%	7,725	100%	7,559	100%

Financial Ratio Summary

- ✓ Adequate liquidity and Excellent operating efficiency with strong cash generating ability
- ✓ Proven track record in profitability(08's ROE rose to above 20%)
- ✓ Constant dividend policy : High payout ratio(70% to 80%) with at least 90% cash dividend makes an very attractive yield (above 8%) in 2008.

Item	Financial Ratio/Year	05	06	07	08
Capital Structure	Liabilities to Assets ratio(%)	41.0	40.3	37.9	46.6
Liquidity	Current ratio(%)	201.4	207.3	220.8	188.2
Analysis	Quick ratio(%)	165.9	164.9	160.0	158.3
Operating performance	Average collection days	50.0	52.0	57.0	65.0
	Global inventory turnover days	40.0	44.0	50.0	59.0
Profitability	ROE(%)	16.6	18.2	25.5	20.3
	EPS(nt\$/share)	3.02	3.51	4.80	3.00
Dividend	Stock Dividends(nt\$/share)	0.35	0.42	1.18	1.40
	Cash Dividends(nt\$/share)	1.52	2.09	2.49	3.51
	Capital Reduction(nt\$/share)	-	-	1.00	1.00
	Dividend yield(%)	6.3	5.6	6.7	21.3

Business Operation Summary

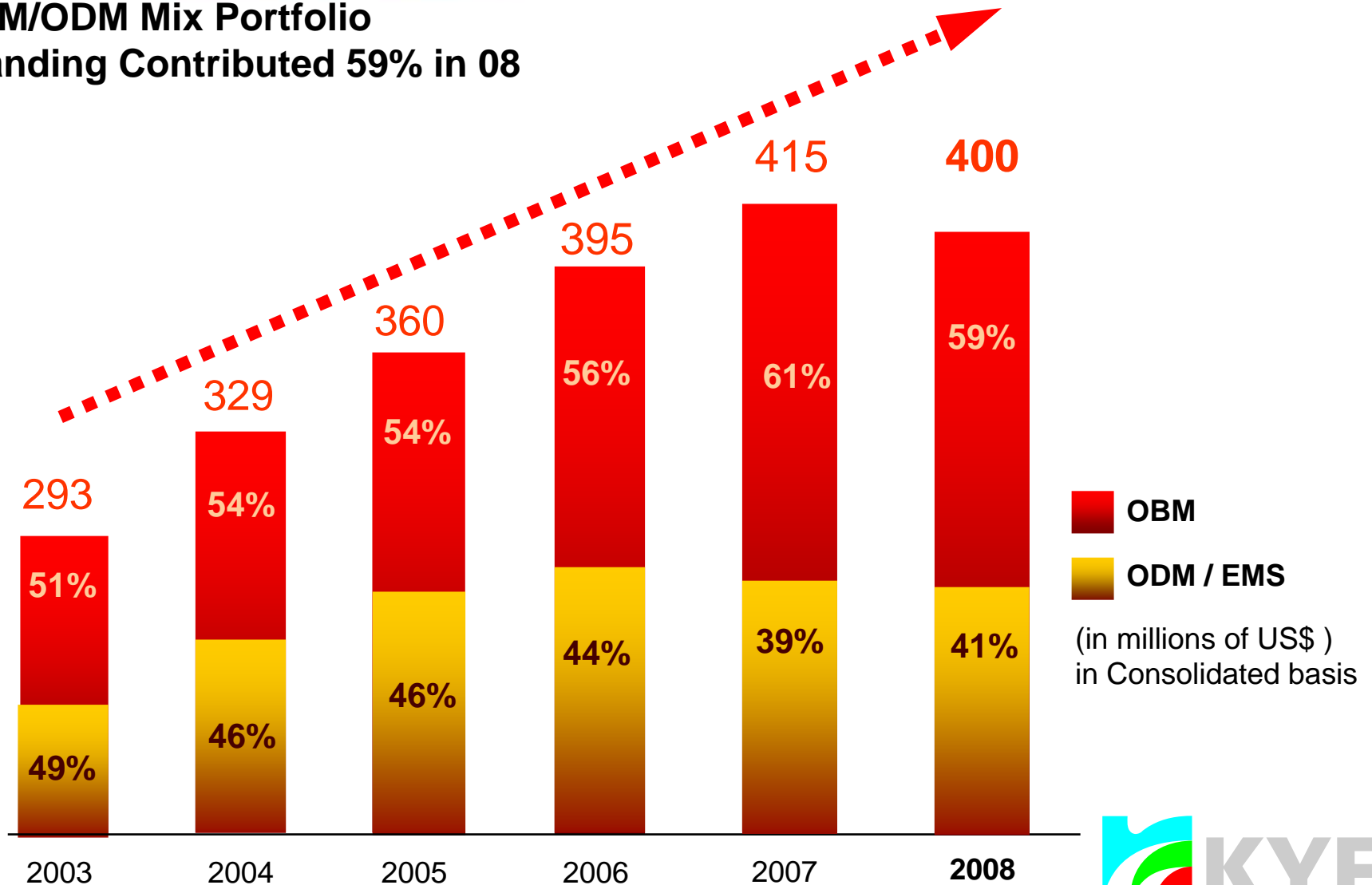


BU	Turnover	05	06	07	08
Genius	A/R Turnover (days)	45.0	49.0	56.0	57.0
	Inventory Turnover (days)	41.0	41.0	49.0	65.0
	A/P Turnover (days)	64.0	73.0	76.0	79.0
	Cash Conversion Days	22.0	17.0	29.0	43.0
ODM/EMS	A/R Turnover (days)	57.0	58.0	61.0	60.0
	Inventory Turnover (days)	40.0	48.0	51.0	64.0
	A/P Turnover (days)	64.0	78.0	76.0	79.0
	Cash Conversion Days	33.0	28.0	36.0	45.0
KYE	A/R Turnover (days)	50.0	52.0	57.0	65.0
	Inventory Turnover (days)	40.0	44.0	50.0	59.0
	A/P Turnover (days)	64.0	75.0	76.0	79.0
	Cash Conversion Days	26.0	21.0	31.0	45.0

Business Model



OBM/ODM Mix Portfolio
Branding Contributed 59% in 08



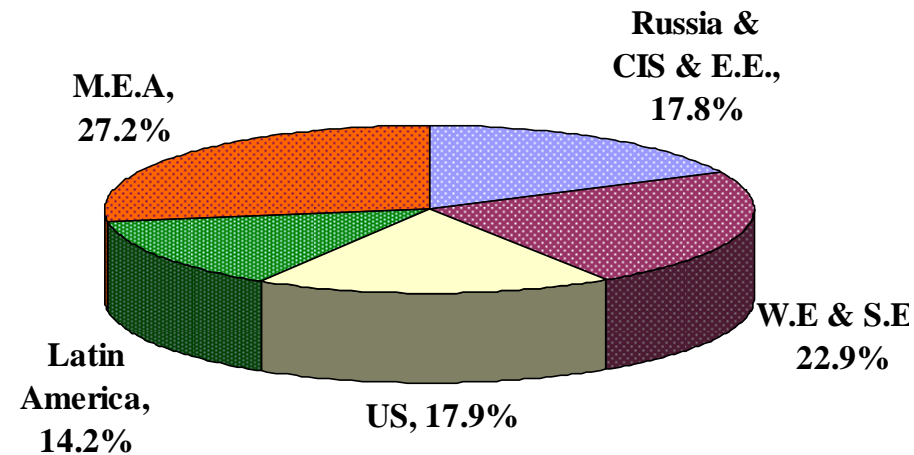
OBM
ODM / EMS
(in millions of US\$)
in Consolidated basis

Regional Sales Allocation- 2008 Q4



2008 Q4
(Total Revenue : NT\$ 2.8 BN)

	% of Sales	yoy %
Russia & CIS & E.E.	17.8%	-50.0%
W.E & S.E.	22.9%	-20.5%
US	17.9%	6.2%
Latin America	14.2%	-22.8%
M.E.A	27.2%	-12.3%
Total Sales	100.0%	-24.2%

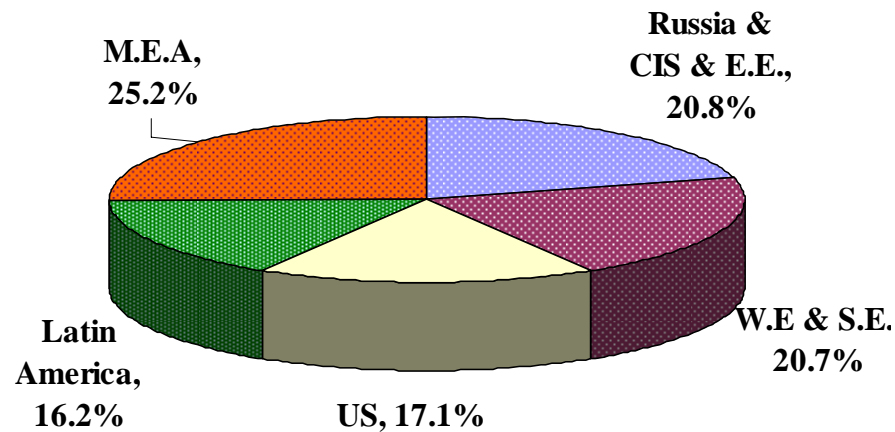


Regional Sales Allocation- 2008



2008
(Total Revenue : NT\$ 12.58 BN)

	% of Sales	yoy %
Russia & CIS & E.E.	20.8%	-14.0%
W.E & S.E.	20.7%	26.5%
US	17.1%	4.1%
Latin America	16.2%	-6.7%
M.E.A	25.2%	-22.1%
Total Sales	100.0%	-6.8%

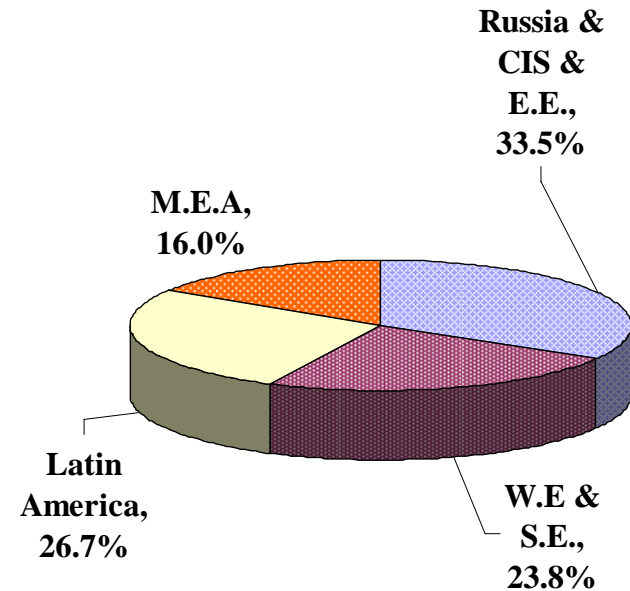


OBM(Genius) Regional Allocation-08 Q4



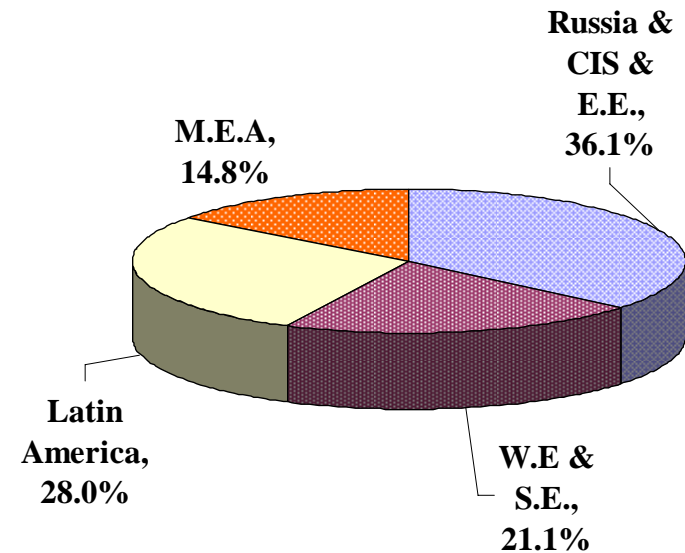
	% of Sales	yoy %
Russia/ CIS / E.E.	33.5%	-50.0%
W.E & S.E.	23.8%	-35.1%
Latin America	26.7%	-22.8%
M.E.A	16.0%	-23.5%
Total Sales	100.0%	-37.3%

2008 Q4
(Total Revenue : NT\$ 1.53 BN)



	% of Sales	yoy %
Russia/ CIS / E.E.	36.1%	-14.0%
W.E & S.E.	21.1%	-9.6%
Latin America	28.0%	-6.7%
M.E.A	14.8%	-2.5%
Total Sales	100.0%	-9.5%

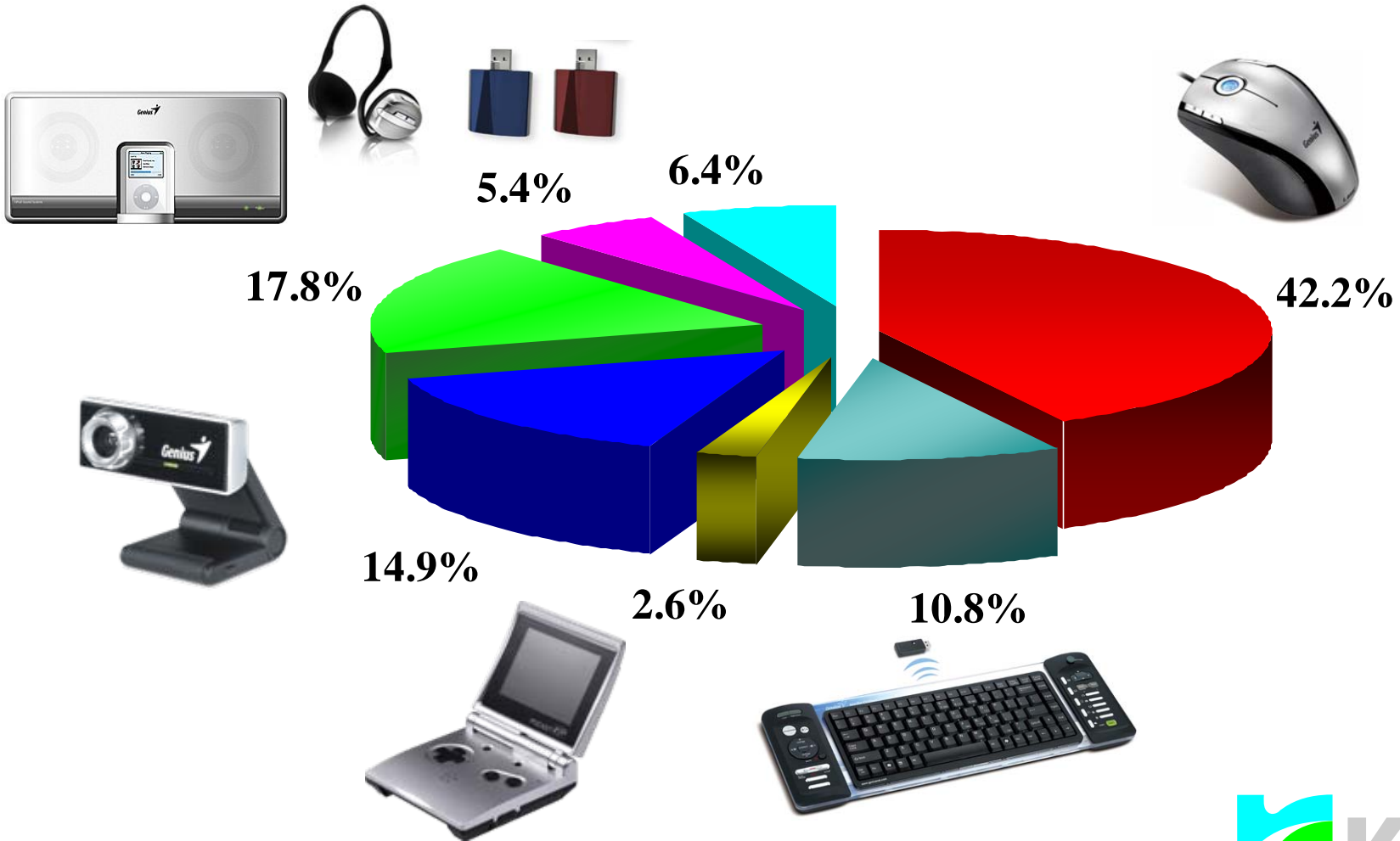
2008
(Total Revenue : NT\$ 7.42 BN)



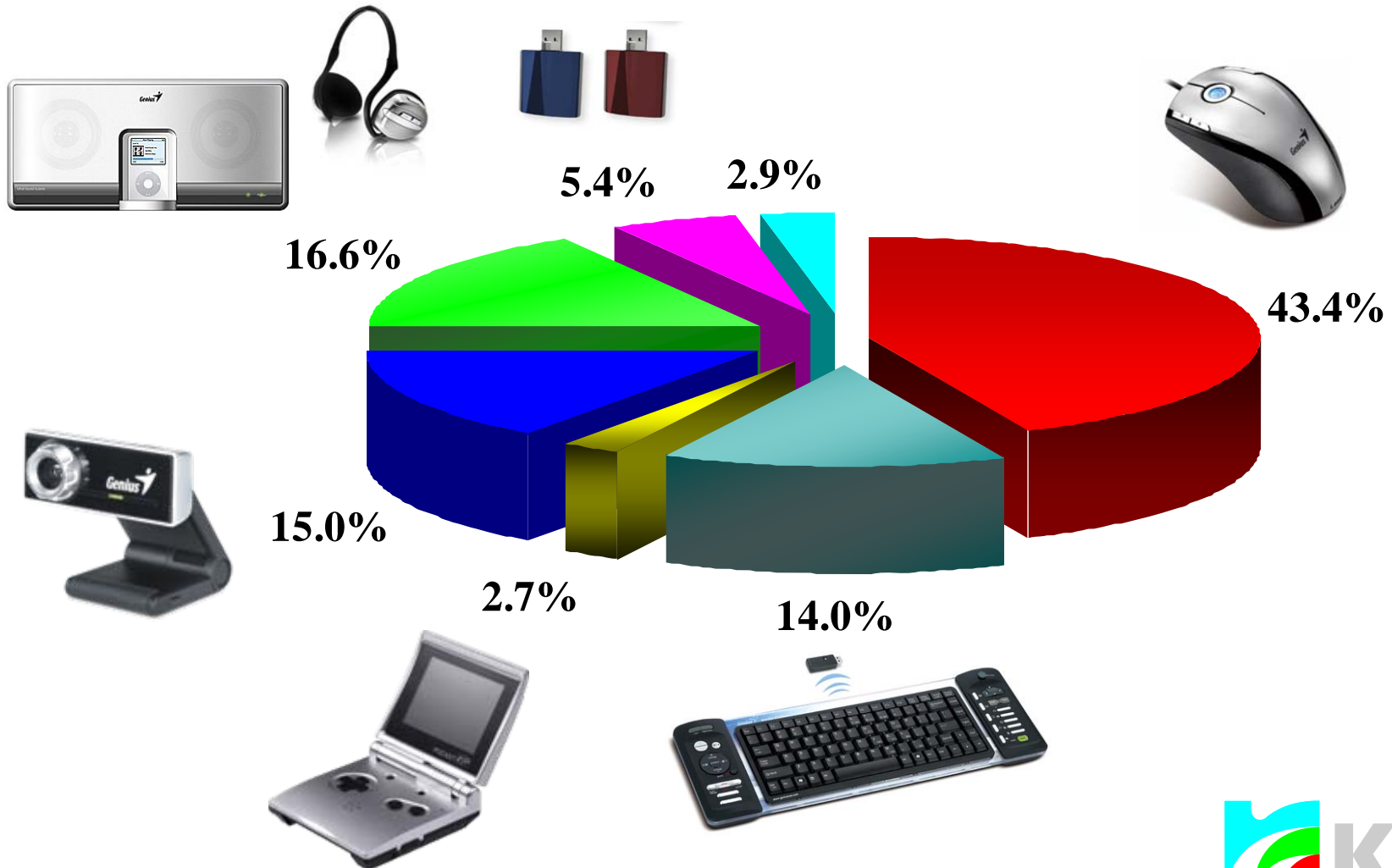
KYE Production

Product	GENIUS	ODM/OEM/EMS
Mouse	Self-manufacturing	Self-manufacturing
K/B	Out-sourcing from vendors	Self-design
Webcam	Self-manufacturing	Self-manufacturing
Speaker	Out-sourcing from vendors	
Headset	Out-sourcing from vendors	
Gaming	Out-sourcing from vendors	
Card Reader		Self-manufacturing
Digital Photo Frame	Out-sourcing from vendors	Self-manufacturing

2008 Q4 Product Portfolio



2008 Product Portfolio



2008 Q4 Genius Product Portfolio

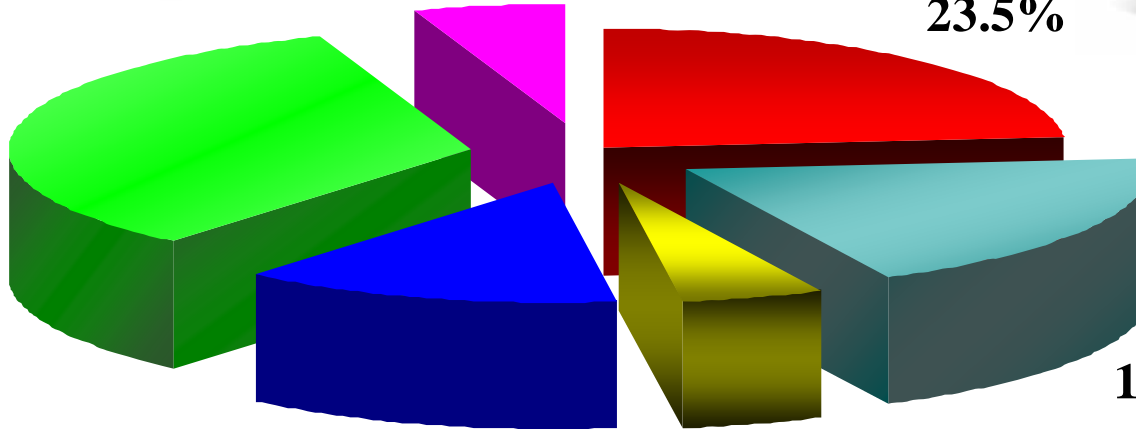


5.4%



23.5%

33.4%



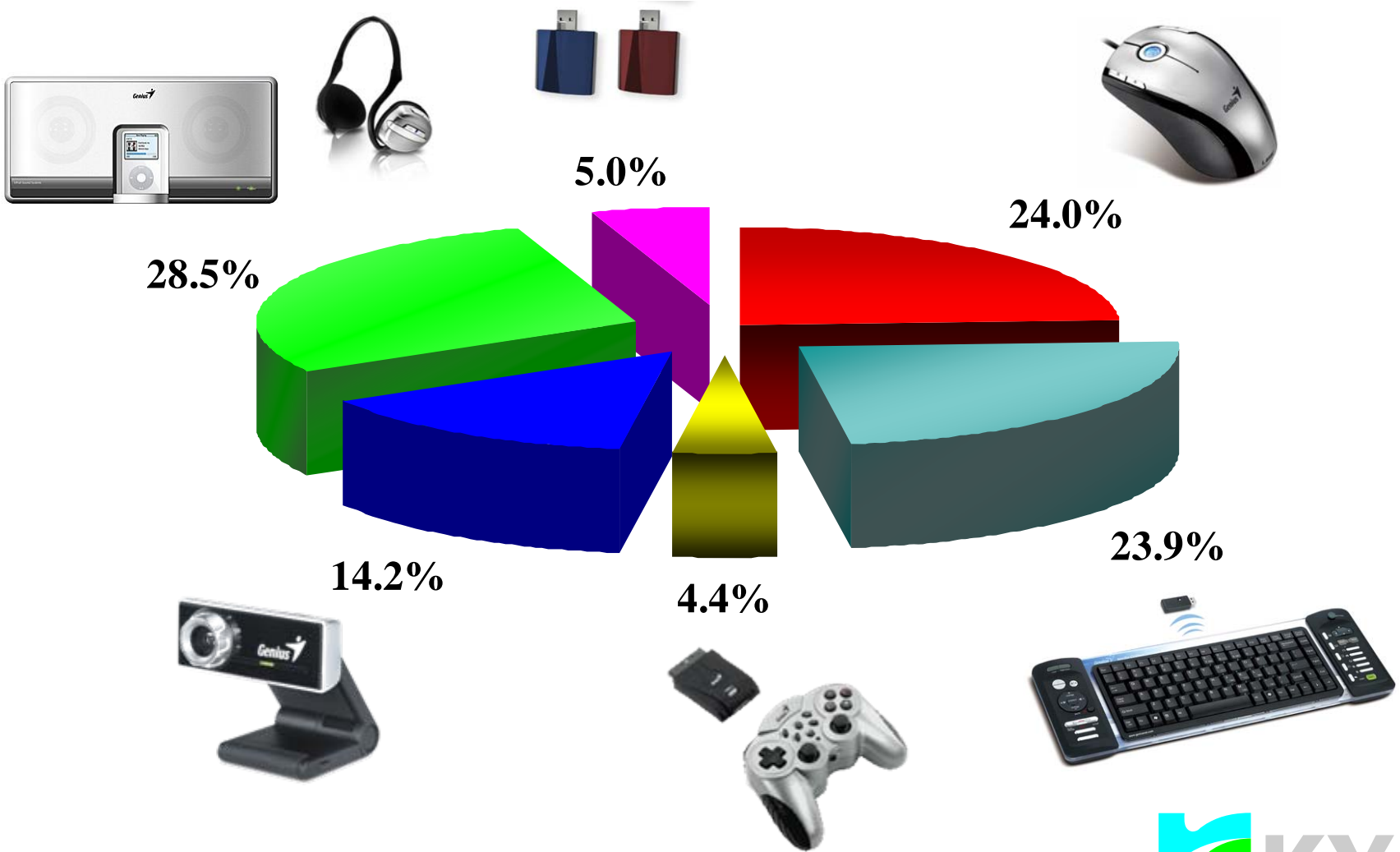
13.4%

4.9%

19.3%



2008 Genius Product Portfolio



2008 Q4 Product Summary



	2008 Q4	2008 Q4	2008	2008
PRODUCTS	Units yoy	Revenues yoy	Units yoy	Revenues yoy
Mouse	-33.4%	-26.1%	-7.5%	-11.7%
Genius	-36.5%	-37.6%	-5.2%	-8.0%
ODM	-30.6%	-19.3%	-9.3%	-13.5%
KB	-42.0%	-39.5%	3.9%	-0.1%
Speaker	-35.7%	-33.6%	-8.4%	-6.0%
Headset	-19.2%	-3.8%	2.8%	4.5%
Webcam	1.7%	22.3%	2.8%	30.6%
Genius Gaming	-47.3%	-49.7%	-25.4%	-25.5%
Carder Reader	5.3%	11.1%	5.1%	4.6%

A. NB Accessories

- MSN / Skype/ VOIP
- Webcam
- Mice/KB
- Headsets
- Speaker

B. Gaming Devices

- Laser gaming mice
- Gaming speakers
- Gaming headset
- Handled Gaming Devices

C. Acoustic Devices

- iPod/MP3/5.1CH speakers
- MSN/Skype Headset & Headphones
- Earphone for cellular phone

D. Card Reader

- External for Mobil Phone or Memory Card
- Build in Memory Cards Reader

E. New EMS Projects

Growth Engines



Genius

■ Europe

- CIS
- Romania
- Czech
- Spain

■ America

- Venezuela
- Brazil
- Mexico

■ Asia Pacific

- Indonesia
- Vietnam
- Turkey
- Malaysia
- UAE
- China


OEM / ODM

- H company
- Double A companies
- F company
- S company

EMS Projects

- Handheld Gaming
- Image Products
- Robotic Products
- Barcode Label Printer

Genius Asset Value

- Brand Awareness (39.5 million Genius)
- Brand Value (2007 US\$ 114 million +16.3%)
- Brand Image ()
- Brand Loyalty
- Brand Relationship

(a) Physical Channels :

- * NCS (National Chain Store)
- * Hypermarket
- * Systems Bundled
- * 3C Store
- * Mobile Phone Chain Store

(b) Virtual Channels :

- * e-shopping
- * TV shopping

■ Valuable Customers

* Microsoft, H.P., Acer, ASUS and Japan Markets

■ Profit-orientation and the Perfect Product Portfolio

* EMS & ODM

■ Keep the leadership in core technologies

* Pointing Device Technology

* Image Technology

* Storage Technology

* Wireless Technology

■ A approved and certified manufacturer

* Microsoft, H.P., Acer & BestBuy

* ISO9001, ISO14001 & QCO80000

Production Capability



Factories : III
Production Space : 24,900 m²
Yearly Capacity : 30 million pcs
Yearly output value: 230 million USD



Factories : V
Production Space : 45,000 m²
Yearly Capacity : 50 million pcs
Yearly output value: 390 million USD

- **Keep growing revenues from new products and new business model to maintain stable profits, EPS and ROE in 2009.**
- **Strong cash flow from operation.**
- **Outstanding business cycle at around **110 to 115 days** and cash conversion at between **35 to 40 days**.**
- **Solid financial structure, liability ratio below 40%.**
- **Challenges and risks : Global financial storm and economic recession, weak demand, highly fluctuation and deep depreciation of currencies in emerging Europe.**

KYE Advantages



- **One of Taiwan's top 20 Global Brands in 4 years from 05 to 08.**
- **Red dot, IF, G-Mark & CES Design Award Winner**
- **Owner of 781 patents around the world as of July. 2008**
Ranked 56,39 for applied/approved patents in Taiwan for 2008
- **The world's top 2 and Taiwan's best mice manufacturer**
- **Professional ODM/OEM service and 1ST-tier IT Corps' partner**

Brand Awards



2008 Taiwan Top 20 Global Brand

- ❖ Financial result
- ❖ Brand position
- ❖ Brand awareness
- ❖ Brand Net Value : up by 15% more (one of top 4 growth)



Design Awards

One of Top 20
Taiwan Brand
04 - 07



Japan G-Mark
Design Award



reddot design award
winner 2008



product
design
award



Optical Touch
Controller Laser
Mouse



Keyboard & Mouse
Combination



Web Cam



Digital Note



Speaker

Thank You!