

# Pegatron divestiture via a capital reduction

ASUSTeK Computer  
Pegatron Corporation

December 11, 2009

# Agenda

---

- **Overview**
- **Transaction Information**
- **Expected Timetable**
- **Questions & Answers**

# Overview

---

## Rationale

- To separate the ownership between ASUS and Pegatron for independent operation
- To better operation flexibility and business opportunity

## Planning

- Protect shareholders' interests
- Fast and effective

## Transaction

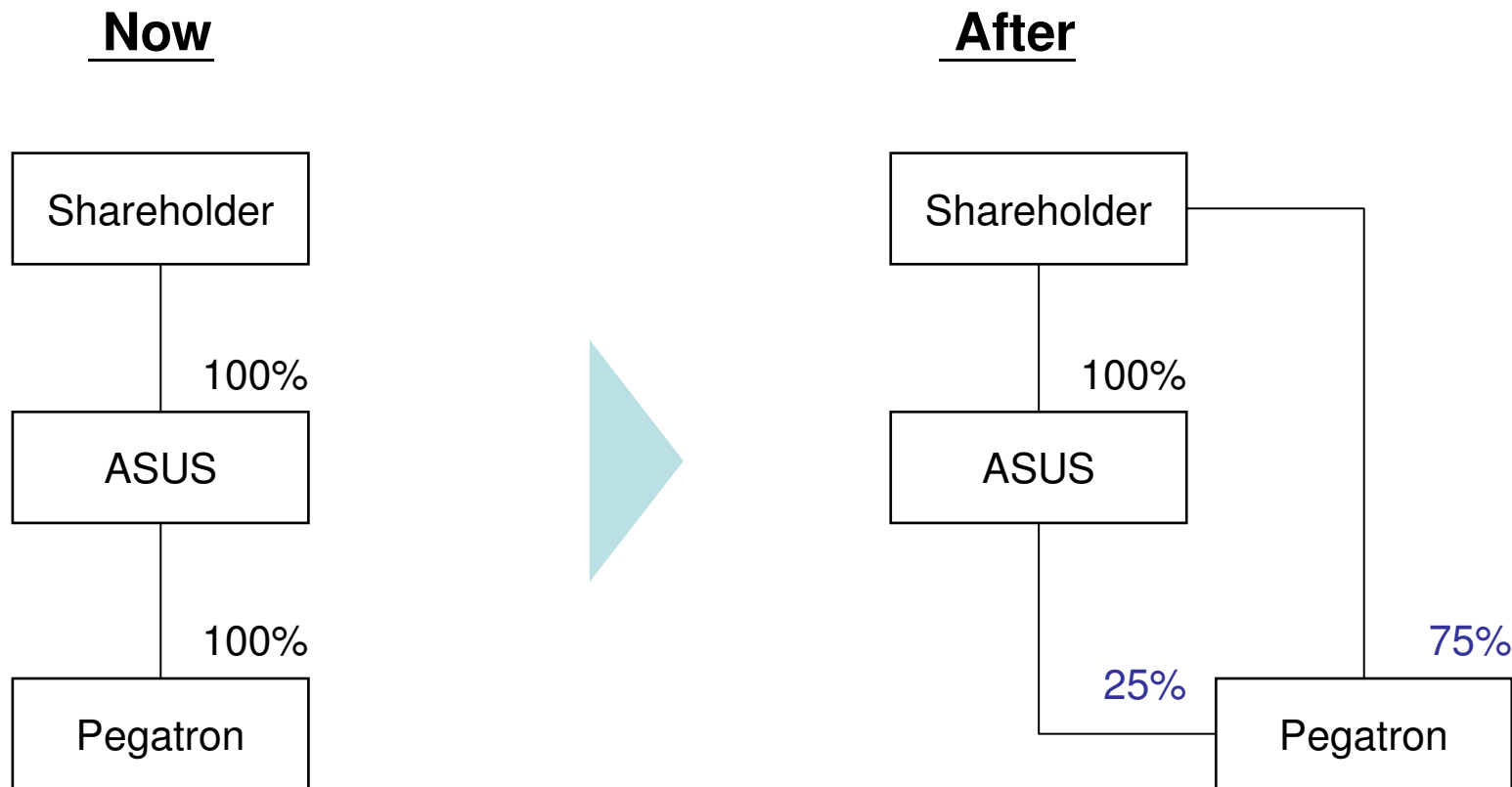
- **ASUS will transfer 75% of shares in Pegatron to the existing shareholders of ASUS via a capital reduction**
- **Pegatron will plan an IPO as soon as possible**

## Benefits

- To resolve the conflicts between brand and ODM operation
- Better operation flexibility
- Better transparency and fair valuation

# Transaction

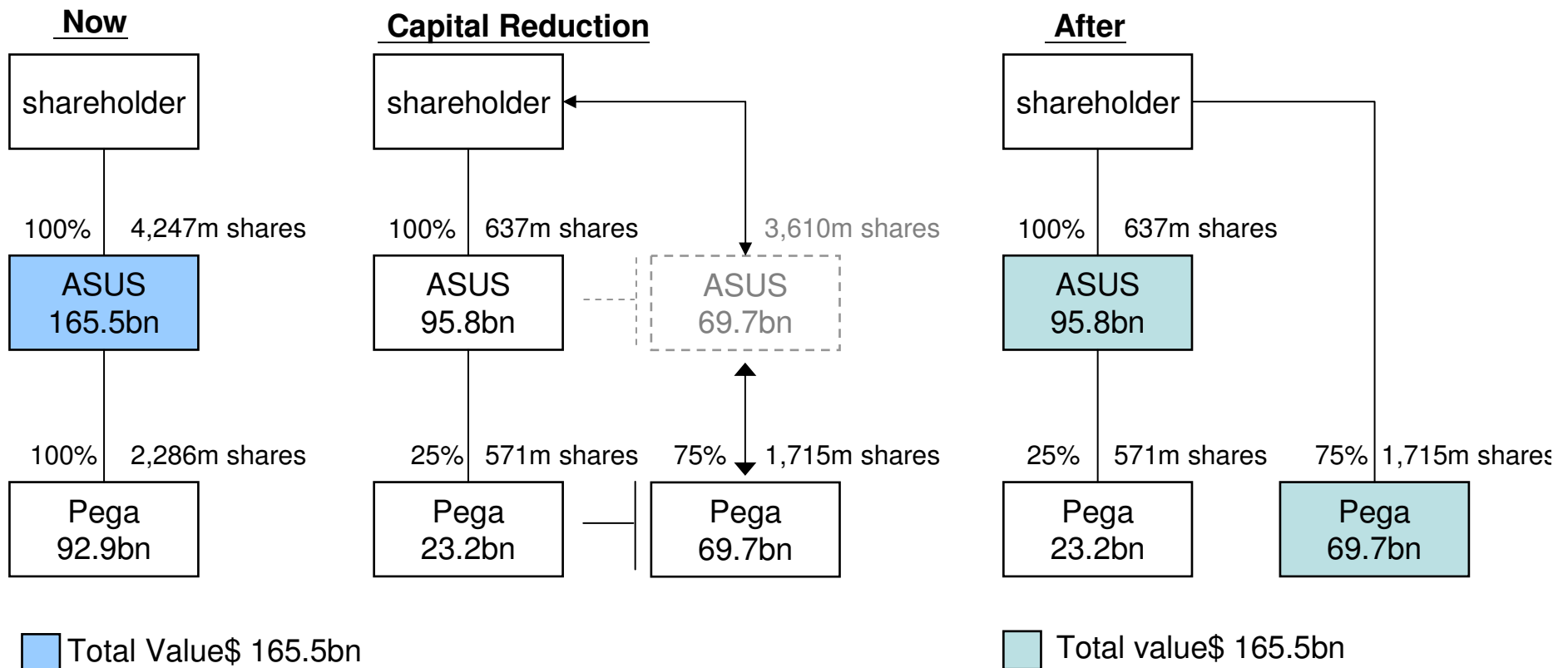
- ASUS will transfer 75% of shares in Pegation to the existing shareholders of ASUS via a capital reduction



\* The capital reduction will be performed via setting up a holding company, please refer to the appendix for details

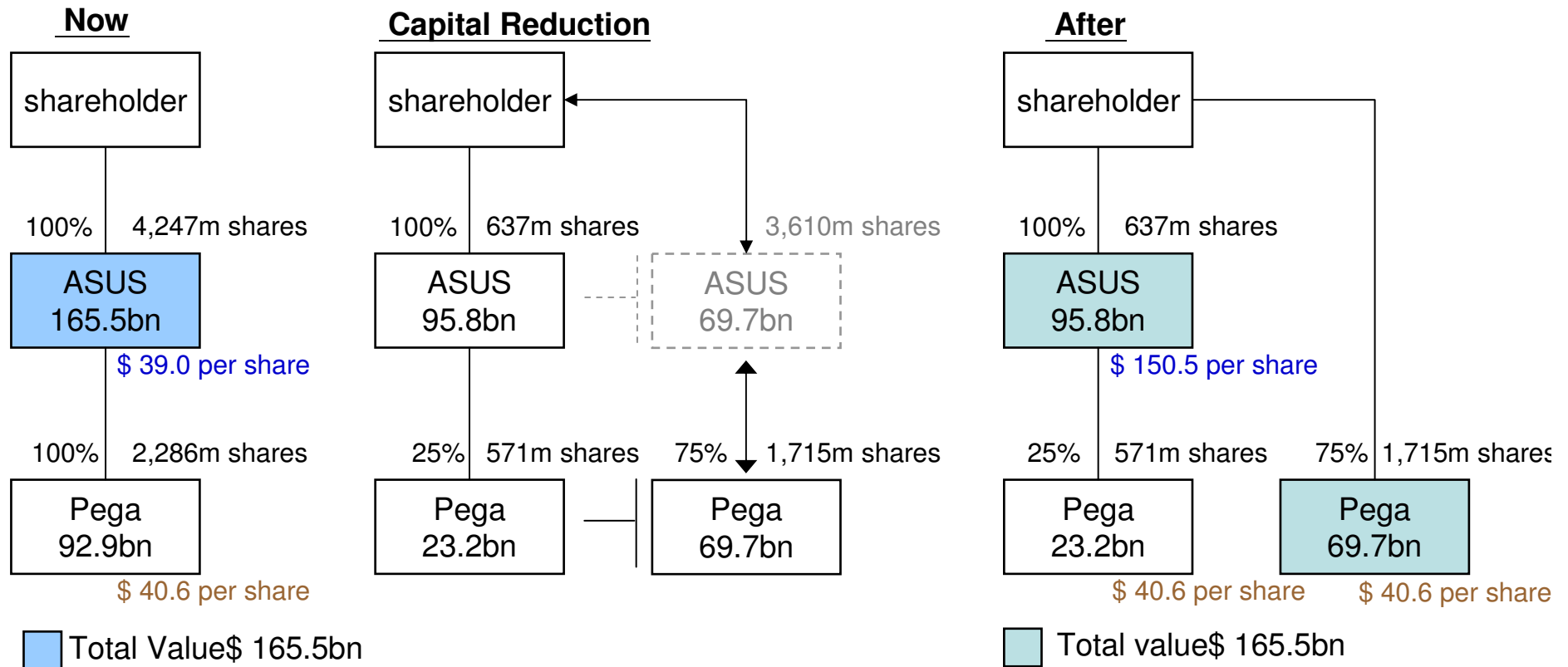
# The transfer of Pegatron shares

- ASUS will reduce the book value by NT\$ 69.7 billion and reduce the outstanding shares by 3,610 million shares (85% of total outstanding shares)
- In return, ASUS shareholders will receive 1,715 million Pegatron shares for an aggregate value of NT\$ 69.7 billion
- The total value held by shareholders remained at \$ 165.5bn.



# The transfer of Pegatron shares

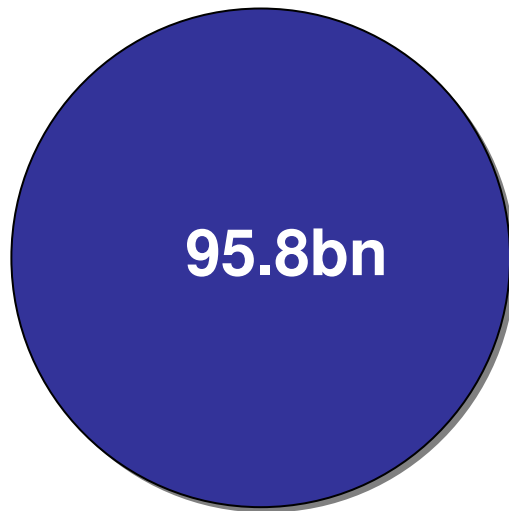
- The book value of ASUS share increased from NT\$ 39.0 per share to \$ 150.5 per share after the capital reduction.
- The value of Pegatron share remained at NT\$ 40.6 per share.



# Business Value

---

**ASUS**

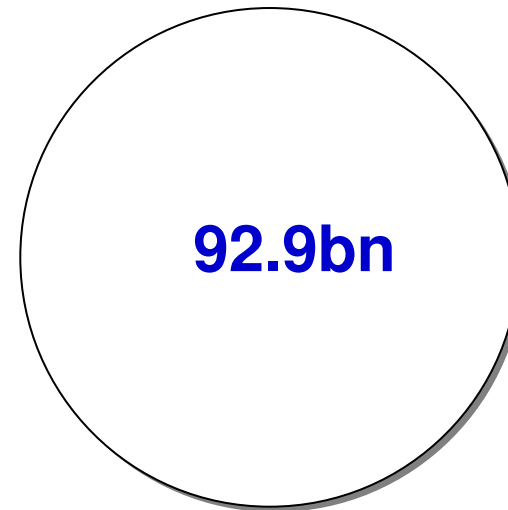


# of shares : 637m

Book value per share : NT\$ 150.5

Profitability : A+25%P

**Pegatron**



# of shares : 2,286m

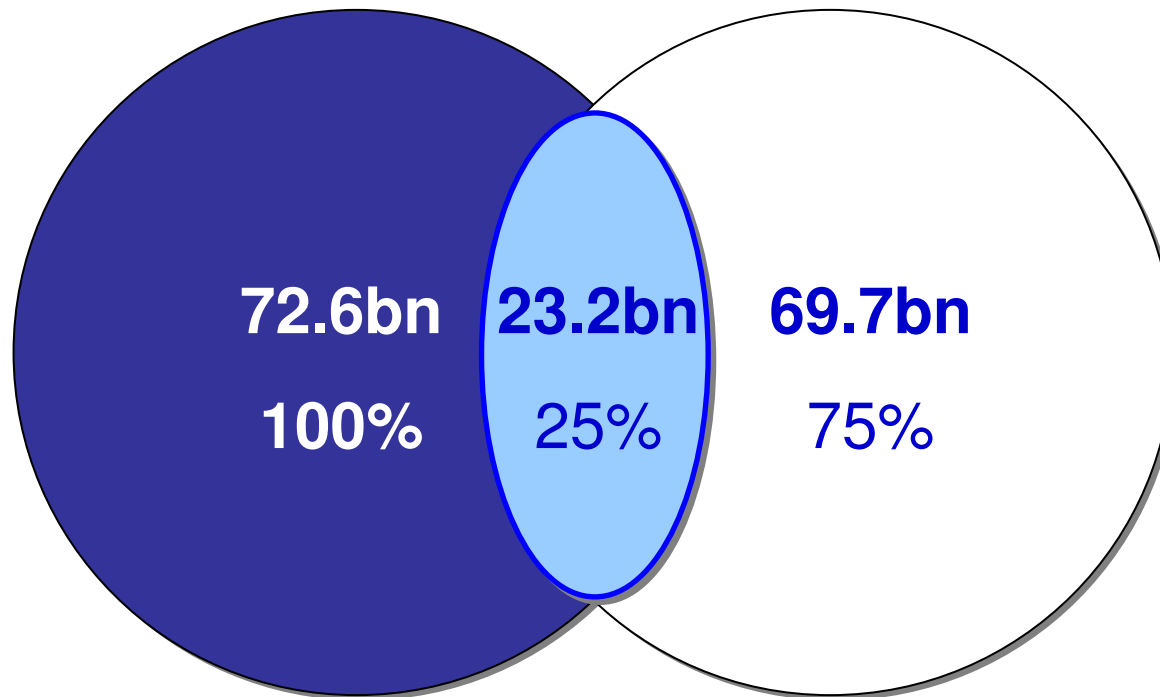
Value per share : NT\$ 40.6

Profitability : P

# Shareholders' Value Composition

Shareholders' value  
in ASUS

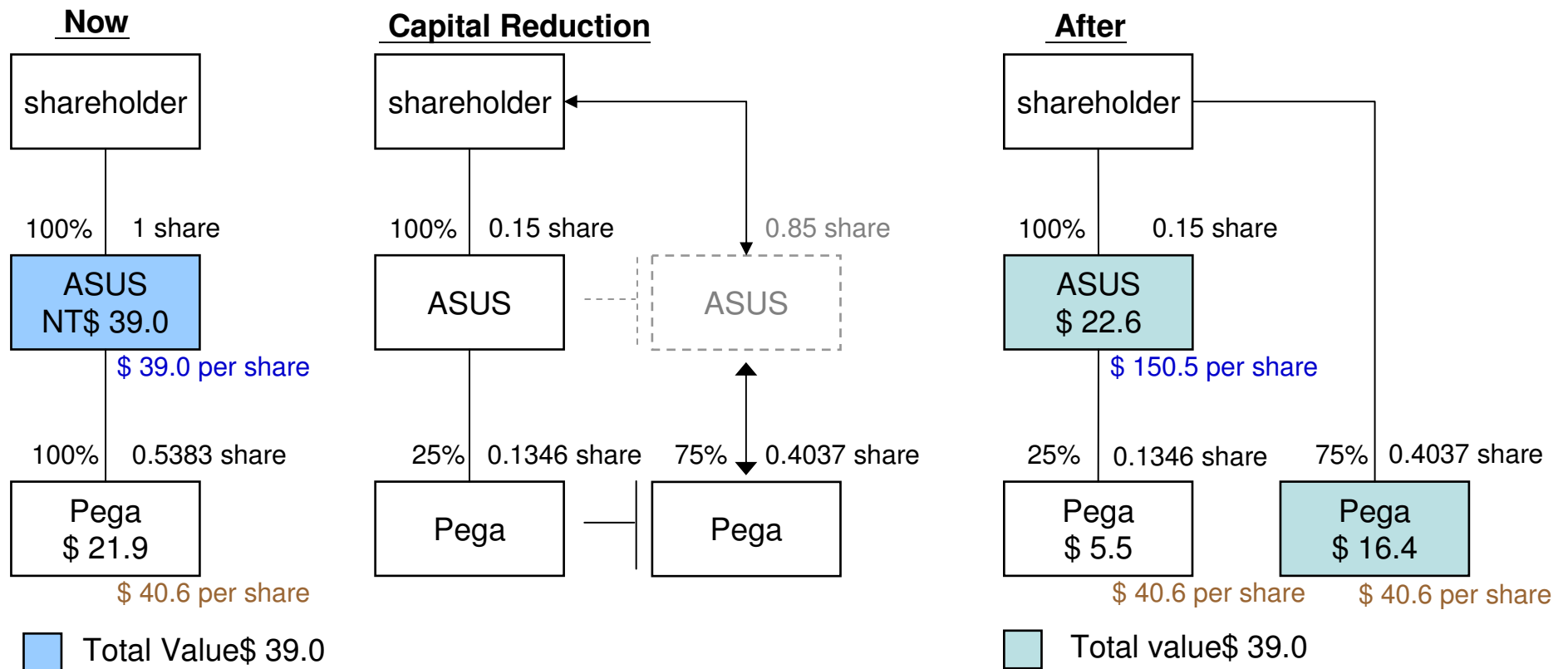
Shareholders' value  
in Pegatron





# Share Transfer Simulation

- ASUS shareholders will receive approximately 0.15 share of ASUS and 0.4037 share of Pegatron for each ASUS share they owned.
- All ASUS shareowners together will own a 75 percent stake in Pegatron, while retaining 100% ownership of ASUS.



# Expected Time Table

---

<b>Dec 11, 2009</b>	ASUS Board Of Directors approved the resolution
<b>Feb 9, 2010</b>	* Extraordinary General Meeting
<b>Jul 1, 2010</b>	* The effective date of capital reduction and share transfer
<b>Q3~Q4, 2010</b>	* Pegatron IPO (expected)

\* The expected dates could change depends upon the application process and regulations

# Appendix

# Questions and Answers

---

- **Please explain the rationale for ASUS to retain 25% Pegatron shares and the shareholders to hold 75% of Pegatron Shares?**

A : We expect Pegatron will enjoy better business opportunities with the ownership transfer. ASUS retains 25% Pegatron shares based on the following considerations, 1) To meet the expectation of Pegatron's clients; 2) To carry out a proper degree of capital reduction; 3) To maintain a fair capital structure of ASUS; 4) To cap the taxable income amount to shareholders resulting from the capital reduction.

ASUS intends to lower the stake in Pegatron to be less than 20% in the future.

- **Please elaborate the potential financial impacts to ASUS and Pegatron?**

A : Operation outlook – we expect that with better operation flexibility, both ASUS and Pegatron will improve the operation results in the long run.

Accounting presentation – Pegatron will no longer be consolidated into ASUS financial statements. ASUS still will book the investment income in Pegatron while retaining a 25% stake. ASUS will no longer book the investment income in Pegatron if the holdings reduce to less than 20% in the future.

# Questions and Answers

---

- **Please describe the impacts to shareowners, if any?**

A : Total value held by all shareowners remained the same post the capital reduction. All ASUS shareowners together will own a 75 percent stake in Pegatron, while retaining 100% ownership of ASUS.

The capital reduction will cause the retained earnings to be distributed of approximately NT\$ 8.1bn, ASUS shareholders will incur a net taxable income of NT\$ 1.904 for each share of ASUS they own. On the other hand, the deductible tax balance accounted for 18% of the retained earnings to be distributed. The company also expects to increase the cash dividend payout ratio in the next year for reimbursements.

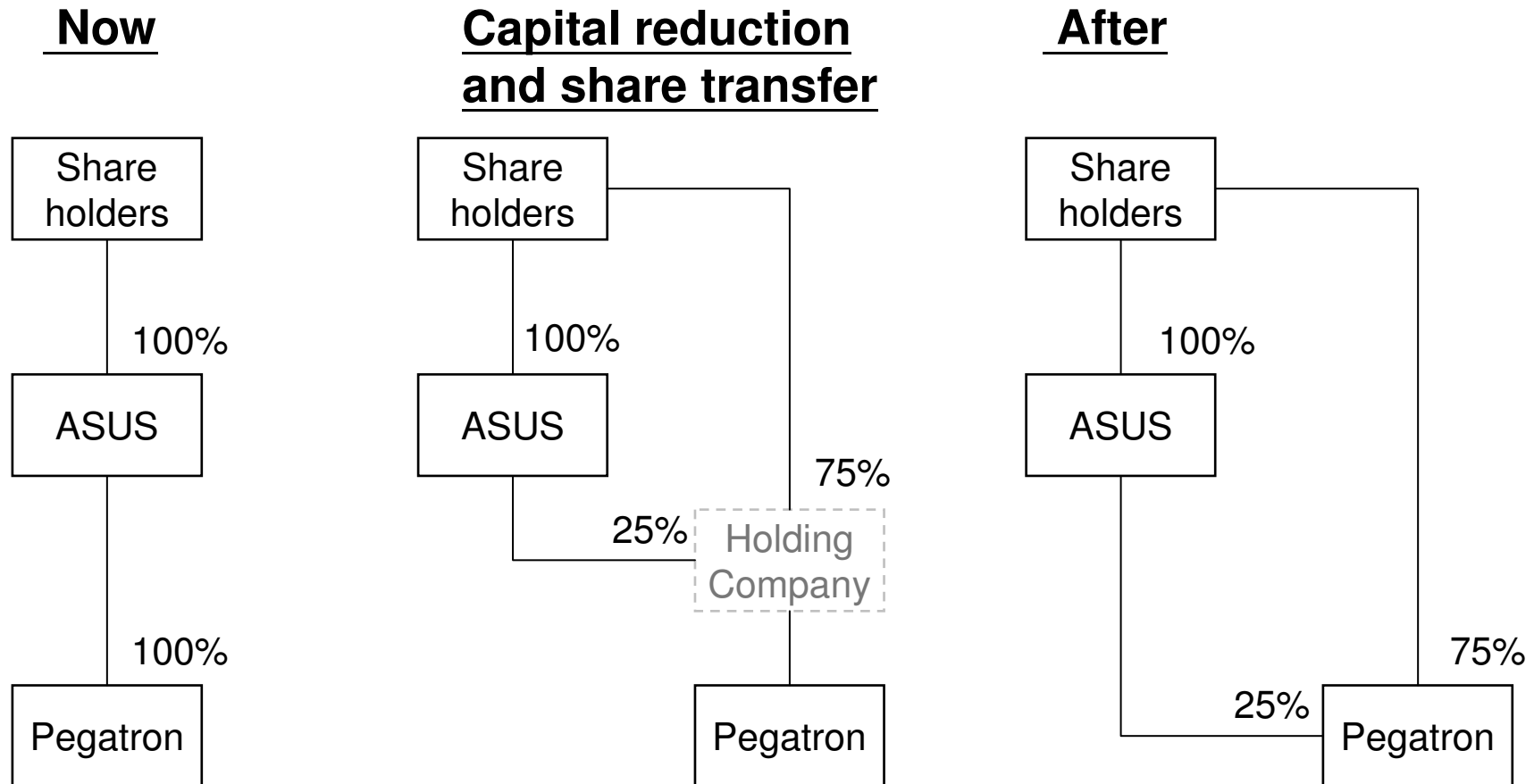
- **Please estimate the re-listing price of ASUS share after the capital reduction and the IPO price of Pegatron share?**

A : We expect the reduction to have no impacts to the enterprise value and the total value held by shareholders. We also expect better business opportunities and streamlined operation as a result of the transaction.

The listing price of ASUS share after the capital reduction will be calculated in accordance with the regulations of Taiwan Stock Exchange. The IPO price of Pegatron will be proposed by the company and the underwriters, and to be approved by Taiwan Stock Exchange.

# Registration Process

- The capital reduction and share transfer will be performed via setting up a holding company in accordance with Taiwan regulations.



# Pro Forma Financials

in NT\$ million	a	b	a+b	b/a
<b>ASUS Balance Sheet Items</b>	<b>Now</b>	<b>capital reduction</b>	<b>After</b>	<b>Chg%</b>
LT investment - Pegatron	92,900	(69,700)	23,200	-75%
LT investment - others	31,900		31,900	
<b>Total Assets</b>	<b>225,100</b>	<b>(69,700)</b>	<b>155,400</b>	<b>-31%</b>
Total Liabilities	59,600		59,600	
Paid-in capital	42,500	(36,100)	6,400	-85%
Additional capital - offerings	28,300	(24,100)	4,200	-85%
Retained earnings	90,900	(8,100)	82,800	-9%
LT-Pegatron-adjustments	1,900	(1,400)	500	-74%
Others	1,900		1,900	
<b>Total Shareholders' Equity</b>	<b>165,500</b>	<b>(69,700)</b>	<b>95,800</b>	<b>-42%</b>
<b>Value owned by Shareholders</b>	<b>Now</b>	<b>capital reduction</b>	<b>After</b>	
ASUS value	165,500	(69,700)	95,800	
Pegatron value	0	69,700	69,700	
<b>Total</b>	<b>165,500</b>	<b>0</b>	<b>165,500</b>	

# Value Per Share and Share Exchange Ratio

- ASUS will reduce the book value of NT\$ 69.7 billion and reduce the outstanding shares by 3,610 million shares (85% of outstanding shares)
- In return, ASUS shareholders will receive 1,715 million shares of Pegatron with an aggregate value of NT\$ 69.7 billion

<b>ASUS</b>	# of shares ('000)	Value ('000)	value per share
Now	4,246,777	165,512,516	39.0
Capital reduction	3,609,760	69,670,567	19.3
After	637,017	95,841,949	150.5

<b>Pegatron</b>	# of shares ('000)	Value ('000)	value per share
Now	2,286,054	92,894,089	40.6
75% of total	1,714,541	69,670,567	40.6

$$\frac{\text{Shares for reduction}}{\text{ASUS total shares}} = \frac{3,609,760^{*}}{4,246,777} = 85\%$$

\*In thousand shares

$$\frac{\text{75% of Pegatron shares}}{\text{ASUS total shares}} = \frac{1,714,541}{4,246,777} = 40.37\%$$



**Thank You**

---