CyberLink (5203.TW)
Q2-2014 Results Conference
The Innovative Solutions Provider for the Connected Digital Lifestyle

Jul. 24, 2014
Safe Harbor Notice

The following pages contain projections & estimates of financial information as well as market and product developments for future periods. These projections & estimates are based on information currently available which we believe to be reliable, but they involve risks & uncertainties. Our actual results of operations & financial condition may differ significantly from those contained in the projections & estimates. The projections & estimates should not be interpreted as legally binding commitments, but rather as flexible information subject to change occasionally.
Agenda

- Q2-2014 Financial Results
- Embracing the New Paradigm
- Summary
- Q&A
Q2-2014 Financial Results (Un-audited)
Financial Highlights

• **Q2-2014**
  - **Q2 performance beat our expectation and basic EPS after tax reached NT$1.32**
  - Revenue NT$570.8M, **+4.6% Q/Q** and -9.1% Y/Y.
    - Exceeded our guidance at -4%~0% Q/Q mainly due to stronger B2B performance and recognition of one past-use license
  - Gross Profit NT$494.2M, **+6.8% Q/Q** and -3.8% Y/Y
    - GP margin 86.6%, higher than guidance at 80% +/-1.5% mainly due to the pure profit of the past-use license and better product mix.
  - Operating Income NT$186.9M, **+25.0% Q/Q** and -5.3% Y/Y
    - Operating margin at 32.7%, above our expectation at 27% +/-1.5%
  - Net Income NT$132.2M and net margin 23.2%

• **H1-2014**
  - Revenue NT$1.12B, -11.6% Y/Y. Gross profit NT$957.1M, -8.5% Y/Y.
  - Operating Income NT$336.3M and operating margin 30.1%
  - Net Income NT$304.4M, basic EPS after tax hit **$3.04**

• **Balance Sheet**
  - Cash, cash equivalent & short-term investment at NT 4,343.5M as of end of H1-2014, accounting for 66.7% of total asset. No debt.

• **Dividend Policy**
  - The distribution of NT$7.0 cash dividend was approved in the Annual General Shareholders’ meeting in June
## Consolidated Income Statement Q2-2014 Y/Y

<table>
<thead>
<tr>
<th>In NT$K</th>
<th>Q2-2014</th>
<th>%</th>
<th>Q2-2013</th>
<th>%</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>570,798</td>
<td>100.0%</td>
<td>628,183</td>
<td>100.0%</td>
<td>-9.1%</td>
</tr>
<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(76,580)</td>
<td>13.4%</td>
<td>(114,518)</td>
<td>18.2%</td>
<td>-33.1%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>494,218</td>
<td>86.6%</td>
<td>513,665</td>
<td>81.8%</td>
<td>-3.8%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>(307,343)</td>
<td>53.8%</td>
<td>(316,338)</td>
<td>50.4%</td>
<td>-2.8%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>(115,973)</td>
<td>20.3%</td>
<td>(136,573)</td>
<td>21.7%</td>
<td>-15.1%</td>
</tr>
<tr>
<td><strong>S&amp;M</strong></td>
<td>(132,482)</td>
<td>23.2%</td>
<td>(137,193)</td>
<td>21.8%</td>
<td>-3.4%</td>
</tr>
<tr>
<td><strong>G&amp;A</strong></td>
<td>(58,888)</td>
<td>10.3%</td>
<td>(42,572)</td>
<td>6.8%</td>
<td>38.3%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>186,875</td>
<td>32.7%</td>
<td>197,327</td>
<td>31.4%</td>
<td>-5.3%</td>
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<tr>
<td><strong>Non Operating Income (Loss)</strong></td>
<td>(19,888)</td>
<td>-3.5%</td>
<td>24,450</td>
<td>3.9%</td>
<td>-181.3%</td>
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<tr>
<td><strong>Income before Tax</strong></td>
<td>166,987</td>
<td>29.3%</td>
<td>221,777</td>
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<td>-24.7%</td>
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<tr>
<td><strong>Income after Tax</strong></td>
<td>132,181</td>
<td>23.2%</td>
<td>154,246</td>
<td>24.6%</td>
<td>-14.3%</td>
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<tr>
<td><strong>Basic EPS before Tax (in NT$)</strong></td>
<td>1.67</td>
<td></td>
<td>2.22</td>
<td></td>
<td>-24.7%</td>
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<tr>
<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>1.32</td>
<td></td>
<td>1.54</td>
<td></td>
<td>-14.3%</td>
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</tbody>
</table>
## Consolidated Income Statement Q2-2014 Q/Q

<table>
<thead>
<tr>
<th>In NT$K</th>
<th>Q2-2014</th>
<th>%</th>
<th>Q1-2014</th>
<th>%</th>
<th>Q/Q</th>
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<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>570,798</td>
<td>100.0%</td>
<td>545,557</td>
<td>100.0%</td>
<td>4.6%</td>
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<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(76,580)</td>
<td>13.4%</td>
<td>(82,646)</td>
<td>15.1%</td>
<td>-7.3%</td>
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<tr>
<td><strong>Gross Profit</strong></td>
<td>494,218</td>
<td>86.6%</td>
<td>462,911</td>
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<td>6.8%</td>
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<tr>
<td><strong>Operating Expense</strong></td>
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<td>(313,457)</td>
<td>57.5%</td>
<td>-2.0%</td>
</tr>
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<td>R&amp;D</td>
<td>(115,973)</td>
<td>20.3%</td>
<td>(135,686)</td>
<td>24.9%</td>
<td>-14.5%</td>
</tr>
<tr>
<td>S&amp;M</td>
<td>(132,482)</td>
<td>23.2%</td>
<td>(133,500)</td>
<td>24.5%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>(58,888)</td>
<td>10.3%</td>
<td>(44,271)</td>
<td>8.1%</td>
<td>33.0%</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>186,875</td>
<td>32.7%</td>
<td>149,454</td>
<td>27.4%</td>
<td>25.0%</td>
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<tr>
<td><strong>Non Operating Income</strong></td>
<td>(19,888)</td>
<td>-3.5%</td>
<td>59,683</td>
<td>10.9%</td>
<td>-133.3%</td>
</tr>
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<td>Income before Tax</td>
<td>166,987</td>
<td>29.3%</td>
<td>209,137</td>
<td>38.3%</td>
<td>-20.2%</td>
</tr>
<tr>
<td>Income after Tax</td>
<td>132,181</td>
<td>23.2%</td>
<td>172,190</td>
<td>31.6%</td>
<td>-23.2%</td>
</tr>
<tr>
<td>Basic EPS before Tax (in NT$)</td>
<td>1.67</td>
<td></td>
<td>2.09</td>
<td></td>
<td>-20.2%</td>
</tr>
<tr>
<td>Basic EPS after Tax (in NT$)</td>
<td>1.32</td>
<td></td>
<td>1.72</td>
<td></td>
<td>-23.3%</td>
</tr>
</tbody>
</table>
# Consolidated Income Statement H1-2014 Y/Y

<table>
<thead>
<tr>
<th></th>
<th>H1-2014</th>
<th>%</th>
<th>H1-2013</th>
<th>%</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,116,355</td>
<td>100.0%</td>
<td>1,262,134</td>
<td>100.0%</td>
<td>-11.6%</td>
</tr>
<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(159,226)</td>
<td>14.3%</td>
<td>(215,703)</td>
<td>17.1%</td>
<td>-26.2%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>957,129</td>
<td>85.7%</td>
<td>1,046,431</td>
<td>82.9%</td>
<td>-8.5%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>(620,800)</td>
<td>55.6%</td>
<td>(624,565)</td>
<td>49.5%</td>
<td>-0.6%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>(251,659)</td>
<td>22.5%</td>
<td>(274,931)</td>
<td>21.8%</td>
<td>-8.5%</td>
</tr>
<tr>
<td><strong>S&amp;M</strong></td>
<td>(265,982)</td>
<td>23.8%</td>
<td>(269,473)</td>
<td>21.4%</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>G&amp;A</strong></td>
<td>(103,159)</td>
<td>9.2%</td>
<td>(80,161)</td>
<td>6.4%</td>
<td>28.7%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>336,329</td>
<td>30.1%</td>
<td>421,866</td>
<td>33.4%</td>
<td>-20.3%</td>
</tr>
<tr>
<td><strong>Non Operating Income (Loss)</strong></td>
<td>39,795</td>
<td>3.6%</td>
<td>52,989</td>
<td>4.2%</td>
<td>-24.9%</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>376,124</td>
<td>33.7%</td>
<td>474,855</td>
<td>37.6%</td>
<td>-20.8%</td>
</tr>
<tr>
<td><strong>Income after Tax</strong></td>
<td>304,371</td>
<td>27.3%</td>
<td>352,250</td>
<td>27.9%</td>
<td>-13.6%</td>
</tr>
<tr>
<td><strong>Basic EPS before Tax (in NT$)</strong></td>
<td>3.76</td>
<td></td>
<td>4.75</td>
<td></td>
<td>-20.8%</td>
</tr>
<tr>
<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>3.04</td>
<td></td>
<td>3.52</td>
<td></td>
<td>-13.6%</td>
</tr>
</tbody>
</table>
Balanced Product Mix
CREATE (Media Creation) and PLAY (Digital Entertainment)

Gross Profit Breakdown by Product Group

- Media Creation and Misc: creativity, burning, media management and others.
- Digital Entertainment: playback, media server/client, codec pack, etc.

<table>
<thead>
<tr>
<th>Year</th>
<th>Media Creation</th>
<th>Digital Entertainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>2012</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>2013</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>2014H1</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>
Branding Power to Consumers
B2C Continues to Increase

Gross Profit Breakdown by B2B/B2C

B2B: Conventional hardware bundling.
B2C&Others: Direct sales to end users, site license, project income, etc.
Sustainable Earnings & Consistent High Dividend Policy

- CyberLink’s Board proposed a distribution of NT$7.0/share cash dividend and approved by the shareholders
- Sustainable EPS through out years even in the toughest period of PC industry
- Consistent high payout policy to remain good yield and to increase shareholders’ value

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>7.49</td>
<td>8.81</td>
<td>10.03</td>
<td>9.81</td>
<td>7.91</td>
<td>7.08</td>
<td>7.05</td>
<td>6.90</td>
<td>7.07</td>
</tr>
<tr>
<td>Dividend Per Share</td>
<td>5.19</td>
<td>6.58</td>
<td>7.59</td>
<td>7.59</td>
<td>6.48</td>
<td>6.99</td>
<td>7.00</td>
<td>7.60</td>
<td>7.00</td>
</tr>
<tr>
<td>Payout Ratio</td>
<td>69%</td>
<td>75%</td>
<td>76%</td>
<td>77%</td>
<td>82%</td>
<td>99%</td>
<td>99%</td>
<td>110%</td>
<td>99%</td>
</tr>
</tbody>
</table>

1. NT$7.05 was calculated using 2011 net earnings divided by the number of share outstanding as of end of 2011. Due to the 20% capital reduction, 2011 basic EPS audited by CPA was NT$6.11 based on the weighted average number of shares in 2011.
2. NT$6.9 was as announced in the release of 2012 financial results. It was NT$6.54 if retroacted by the latest sharing outstanding
3. NT$7.6 includes a NT$7.0 cash dividend for 2012 earning distribution and a capital increase of $0.6 per share
Q3-2014 Outlook

- Consolidated Q3-2014 guidance assuming FX NT$30:
  - Revenue (Q/Q): -2% +/- 2% from Q2-2014
  - Gross margin: 84% +/- 1.5%
  - Operating margin: 30% +/- 1.5%
Business & Product Updates

• Acquisition of ImageChef
• CyberLink’s Strategy in the New Paradigm
• Remarkable Progress in APP: YouCam Perfect (玩美相機) reached 4M downloads
• PC Software: CMS 12 successfully launched. Director Family 3 will be launched in September
Acquisition of ImageChef (May 7th, 2014)

- Incorporated in 2004, based in San Francisco
- A provider of rich collage and text web tools through Web portals and mobile apps
- Highly complementary for expanding CyberLink’s business model beyond the PC and into smart phones, tablets and cloud-based platforms

Key Data
- Registered members: Over 10M
- User generated content: Over 23M remixes
- Web site visit: 5M visits per month
- The solid performance will be further enhanced after the acquisition by the synergy with CyberLink’s products, services, and members.
Embracing the Paradigm of「PC, Mobile App, Cloud」Integration
CREATE on Mobile Devices

New Demands & Challenges

- Integration between PCs & devices
- Cross Device Integration
- Cross OS Integration
- Multimedia Backup
- Personal Multimedia Cloud
- Multimedia Solution Integration
- Seamless Create & Play Integration
- Online/App Create & Share

Audio/Video Editing  Two cameras
Selfie  e-mail, Web browsing
Game  Real-time Comm.
4G  Real-time sharing
FullHD/4K Recording & Playback

CREATE & PLAY

CyberLink
CyberLink Unique Triangle Strategy
The World’s Only Solution Provider that covers **PC + Mobile + Cloud**
- Mobile App –

Exciting Growth of YouCam Perfect 玩美相機
YouCam Perfect 玩美相機
Exceeding **4,000,000** downloads in 4 months

- Growth continues to speed up
- In last month alone (June), we added **1.32M** new users.
- Expecting to exceed next milestone of **10M** users within this year

2/27: on Google Store
3/25: on Apple Store
Very fast growing YouCam Perfect Users

- If at the speed in June (a very conservative estimate):
  - 1.32M new users/month $\rightarrow$ $\times 12$ $\rightarrow$ 16M new users/year
  - 15.2M sessions/month $\rightarrow$ $\times 12$ $\rightarrow$ 180M sessions/year
YouCam Perfect 玩美相機

For the over 4M user downloads
- Top 5 countries: China, Taiwan, Germany, US, Italy
Next! YouCam MakeUp 玩美彩妝
A Perfect Complementary App to YouCam Perfect

To be released in August
For natural makeup looks!
CyberLink Apps in CREATE & PLAY

• Besides YouCam Perfect (玩美相機) launched in March, we have also released:
  – PhotoDirector Mobile for Android Phones
  – PowerDirector for Android & Win8 Tablets
  – YouCam Snap for iPhone & iPad
  – ImageChef for iOS & Android, Visual Poetry for iOS (via acquisition)
  – YouCam Makeup (玩美彩妝) to be released in Aug.
Very fast growing Apps Users

• If at the speed in June (a very conservative estimate):
  – 1.53M new users/month ➔ x12 ➔ **18.5M** new users/year
  – 17M sessions/month ➔ x12 ➔ **200M** sessions/year
Leveraging Huge PC User Database to Grow our New Economy

- We have 16M unique users per month
- We have 120M sessions per month → x12 → 1.44 billion per year.
- We have 120M BB impressions per month → x12 → 1.44 billion per year.
- We are leveraging this very large user base to quickly grow our App popularity.

*BB: info pushed to PC users by CyberLink's server
- Cloud –
CyberLink 4 Cloud Services
CyberLink 4 Cloud Services
with more than **15,000,000** members

**Movie Society – MoovieLive**
▷ >1.5M members, with latest movie info.

**Online Creation Society - ImageChef**
▷ Online Create & Share, over 10M members
▷ Social Text/Photo-Frame Designer

**Creation Society: DirectorZone**
▷ 4M Creative Users
▷ 450K free templates for sharing

**Personal media Cloud – CL Cloud**
▷ Your Cloud Media Center
▷ Cloud-Device Sync
▷ Across PC/Device, enjoy anytime, anywhere
We Never Slow Down

Good news: PC market is stabilizing
Launch of CMS 12  (July 17th, 2014)
Best Value Award–winning Software Collection

15-in-1 Suite of outstanding multimedia software, including:

- **PowerDVD**
  - No.1 solution for Blu-ray & DVD playback
  - CNET Editors’ Rating: Outstanding
  - PC Magazine: Highly Rated

- **PowerDirector**
  - 5-time PC Mag Editors’ Choice winner

- **PhotoDirector**
  - Most creative photo editing software

- **Power2Go**
  - Trusted solution of PC & burner makers

CyberLink Media Suite 12
The Most Complete 15-in-1 Multimedia Collection for Home & School
Grand Launch in Photokina
Cologne, Germany (Sep. 16th)
The Triangle Will Lead CyberLink to the Unique Business Model Cross PCs & Devices
Upsell PC software from B2B to B2C
B2C brand to add value to B2B

Obtain more App users via pre-installation across OEMs’ heterogeneous devices

Brand & user experiences sharing & exchange across users on heterogeneous devices
CyberLink Unique **Triangle Strategy**
The World’s Only Solution Provider that covers **PC + Mobile + Cloud**
Next Step: Triangle+U Strategy

The World’s Only Solution Provider that covers **PC + Mobile + Cloud**
and integrated with a **social** communication platform.
What is U?

COMING SOON

U is Social
U is Sharing
U is Communication
U is Backup
U is App
U is Cloud
U Create, U Play, U Social

CyberLink is the only company capable of realizing this vision.

Device APP
CREATE

Cloud & Social Community

DirectorZone
ImageChef
MoovieLive

CyberLink Cloud

PC Software
CREATE

Play
Strategy 2014-2016

Turn CyberLink from a top-notch **Software** Company into a top-notch **Internet** Company
Summary

• Q2-2014 performance exceeded our anticipation and basic EPS after tax reached $1.32; H1 EPS after tax at $3.04.

• **Cash dividend at $NT 7.0/share approved in Annual Shareholders Meeting**

• **Embracing the New Paradigm**
  • APP: Very exciting growth of YouCam Perfect. YouCam Makeup to be released in Aug.
  • Cloud: 4 cloud services exceeding 15M members
  • PC: Continue to release new versions of PC software

  – The “Triangle” strategy brings very unique opportunities and business model

  – CyberLink is the only company capable of realizing the “Triangle+U” strategy, the solution covering PC + Mobile + Cloud and integrating with a social communication platform

  – We aim to turn CyberLink from a top-notch software company into a top-notch internet company
For more information about CyberLink: www.CyberLink.com

For IR inquiries, suggestions and comments: investor@cyberlink.com

Thank You!