## PEGATRON

## 2012 Third Quarter Business Review

November 9, 2012

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## Agenda

■ Financial Results

- 3Q12 DMS Pro Forma Financial Result (compiled by Pegatron)
- 3Q12 Consolidated Financial Result
- Business Highlight


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## Safe Harbor Notice

- Pegatron's statements of its current expectations are forward looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.


## PEGATRON

## 3Q12 DMS Pro Forma Financial Result (Compiled by Pegatron)

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## Income Statement - DMS Pro Forma

| (NT\$ Mn) <br> Net Revenue | 1~3Q2012 |  | 1~3Q2011 |  | $\begin{aligned} & \text { YoY } \\ & \hline 52.7 \% \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 529,228 | 100\% | 346,510 | 100\% |  |
| COGS | 514,147 | 97.2\% | 339,985 | 98.1\% | 51.2\% |
| Gross Profit | 15,081 | 2.8\% | 6,525 | 1.9\% | 131.1\% |
| Operating Expense | 13,979 | 2.6\% | 11,315 | 3.3\% | 23.5\% |
| Operating Income (Loss) | 1,102 | 0.2\% | $(4,790)$ | -1.4\% | 123.0\% |
| Net Non-Operating Income (Loss) | 2,963 | 0.6\% | 3,938 | 1.1\% | -24.8\% |
| Investment Income - Equity Method | 2,147 | 0.4\% | 1,749 | 0.5\% | 22.8\% |
| FX Gain (Loss) | (133) | 0.0\% | 1,223 | 0.4\% | -110.9\% |
| Others | 949 | 0.2\% | 966 | 0.3\% | -1.8\% |
| PBT | 4,065 | 0.8\% | (852) | -0.2\% | 577.1\% |
| Tax | (613) | 0.1\% | (12) | 0.0\% | -5008.3\% |
| Net Income | 3,452 | 0.7\% | (864) | -0.2\% | 499.5\% |
| Adjusted EPS | 1.53 |  | (0.38) |  | 502.6\% |

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## Income Statement - DMS Pro Forma (QoQ)

| (NT\$ Mn) | 3Q2012 |  | 2Q2012 |  | QoQ | 3Q2011 |  | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net Revenue | 192,449 | 100\% | 187,599 | 100\% | 2.6\% | 156,106 | 100\% | 23.3\% |
| COGS | 187,287 | 97.3\% | 182,178 | 97.1\% | 2.8\% | 152,816 | 97.9\% | 22.6\% |
| Gross Profit | 5,162 | 2.7\% | 5,421 | 2.9\% | -4.8\% | 3,290 | 2.1\% | 56.9\% |
| Operating Expense | 5,002 | 2.6\% | 4,909 | 2.6\% | 1.9\% | 3,946 | 2.5\% | 26.8\% |
| Operating Income (Loss) | 160 | 0.1\% | 512 | 0.3\% | -68.8\% | (656) | -0.4\% | 124.4\% |
| Net Non-Operating Income (Loss) | 1,346 | 0.7\% | 677 | 0.4\% | 98.8\% | 909 | 0.6\% | 48.1\% |
| Investment Income - Equity Method | 964 | 0.5\% | 907 | 0.5\% | 6.3\% | 719 | 0.5\% | 34.1\% |
| FX Gain (Loss) | (49) | 0.0\% | (575) | -0.3\% | 91.5\% | 98 | 0.1\% | -150.0\% |
| Others | 431 | 0.2\% | 345 | 0.2\% | 24.9\% | 92 | 0.1\% | 368.5\% |
| PBT | 1,506 | 0.8\% | 1,189 | 0.6\% | 26.7\% | 253 | 0.2\% | 495.3\% |
| Tax | (153) | 0.1\% | (367) | 0.2\% | 58.3\% | 113 | 0.1\% | -235.4\% |
| Net Income | 1,353 | 0.7\% | 822 | 0.4\% | 64.6\% | 366 | 0.2\% | 269.7\% |
| Adjusted EPS | 0.60 |  | 0.36 |  | 66.7\% | 0.17 |  | 252.9\% |

## Balance Sheet - DMS Pro Forma

| (NT\$ Mn) | 3Q2012 | 2Q2012 | QoQ | 3Q2011 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash and Equivalents | 27,686 | 22,887 | 4,799 | 20,977 | 6,709 |
| AR (Net) | 94,969 | 99,886 | $(4,917)$ | 67,615 | 27,354 |
| Inventory (Net) | 78,962 | 63,169 | 15,793 | 62,610 | 16,352 |
| Other Current Assets | 16,141 | 14,790 | 1,351 | 5,352 | 10,789 |
| Total Current Assets | 217,758 | 200,732 | 17,026 | 156,554 | 61,204 |
| Investment | 38,089 | 40,124 | $(2,035)$ | 39,466 | $(1,377)$ |
| Fixed Assets (Net) | 32,327 | 32,378 | (51) | 30,133 | 2,194 |
| Other Assets | 6,167 | 4,093 | 2,074 | 4,026 | 2,141 |
| Total Assets | 294,341 | 277,327 | 17,014 | 230,179 | 64,162 |
| Short-term Borrowings | 18,094 | 22,798 | $(4,704)$ | 17,372 | 722 |
| AP | 133,884 | 113,643 | 20,241 | 87,188 | 46,696 |
| Other Current Liabilities | 22,283 | 18,785 | 3,498 | 15,276 | 7,007 |
| Total Current Liabilities | 174,261 | 155,226 | 19,035 | 119,836 | 54,425 |
| Long-term Loan | 26,041 | 28,076 | $(2,035)$ | 18,345 | 7,696 |
| Other Liabilities | 717 | 749 | (32) | 605 | 112 |
| Total Liabilities | 201,019 | 184,051 | 16,968 | 138,786 | 62,233 |
| Paid-in Capital | 22,564 | 22,564 | 0 | 22,564 | 0 |
| Capital Surplus | 64,047 | 64,004 | 43 | 63,445 | 602 |
| Retained Earnings | 9,761 | 8,408 | 1,353 | 5,333 | 4,428 |
| Adjusted Items | $(3,051)$ | $(1,700)$ | $(1,351)$ | 51 | $(3,102)$ |
| Net Equity | 93,321 | 93,276 | 45 | 91,393 | 1,928 |
| Total Liabilities and Net Equity | 294,341 | 277,327 | 17,014 | 230,179 | 64,162 |
| Current Ratio | 125\% | 129\% | - | 131\% | - |
| Debt Ratio (TTL Liabilities / TTL Assets) | 68\% | 66\% | - | 60\% | - |
| Interest-bearing Debt Ratio | 15\% | 18\% | - | 16\% | - |

-6-

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## Cash Flows Statement - DMS Pro Forma

| (NT\$ Mn) | 3Q2012 | 2Q2012 * | 1~3Q2012 |
| :---: | :---: | :---: | :---: |
| Cash Flows from Operating Activities: | 15,232 | $(9,539)$ | 2,752 |
| Cash Flows from Investing Activities: | $(4,760)$ | $(1,793)$ | $(8,892)$ |
| Cash Flows from Financing Activities: | $(4,784)$ | 9,972 | 10,999 |
| Impact from Changes in FX Rate | (889) | (578) | $(1,247)$ |
| Net Increase in Cash | 4,799 | $(1,938)$ | 3,612 |
| Cash, beginning of the period | 22,887 | 24,825 | 24,074 |
| Cash, end of the period | 27,686 | 22,887 | 27,686 |
| Note: | 3Q2012 | 2Q2012 | 1~3Q2012 |
| Depreciation and amortization | 1,498 | 1,404 | 4,279 |

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3Q12 Consolidated Financial Result

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## Consolidated Income Statements

| (NT\$ Mn) <br> Net Revenue | 1~3Q2012 |  | 1~3Q2011 |  | $\begin{aligned} & \text { YoY } \\ & \hline 45.3 \% \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 614,144 | 100\% | 422,637 | 100\% |  |
| COGS | 584,169 | 95.1\% | 404,352 | 95.7\% | 44.5\% |
| Gross Profit | 29,975 | 4.9\% | 18,285 | 4.3\% | 63.9\% |
| Operating Expense | 22,595 | 3.7\% | 18,626 | 4.4\% | 21.3\% |
| Operating Income (Loss) | 7,380 | 1.2\% | (341) | -0.1\% | 2264.2\% |
| Net Non-Operating Income (Loss) | 1,078 | 0.2\% | 3,295 | 0.8\% | -67.3\% |
| PBT | 8,458 | 1.4\% | 2,954 | 0.7\% | 186.3\% |
| Tax | $(2,203)$ | 0.4\% | $(1,343)$ | 0.3\% | -64.0\% |
| Consolidated Net Income | 6,255 | 1.0\% | 1,611 | 0.4\% | 288.3\% |
| Net Income (after minority interest) | 3,452 | 0.6\% | (864) | -0.2\% | 499.5\% |
| Adjusted EPS | 1.53 |  | (0.38) |  | 502.6\% |

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## Consolidated Income Statements (QoQ)

| (NT\$ Mn) | 3Q2012 |  | 2Q2012 |  | QoQ1.7\% | 3Q2011 |  | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net Revenue | 223,035 | 100\% | 219,215 | 100\% |  | 182,927 | 100\% | 21.9\% |
| COGS | 212,034 | 95.1\% | 208,377 | 95.1\% | 1.8\% | 175,321 | 95.8\% | 20.9\% |
| Gross Profit | 11,001 | 4.9\% | 10,838 | 4.9\% | 1.5\% | 7,606 | 4.2\% | 44.6\% |
| Operating Expense | 8,165 | 3.7\% | 7,748 | 3.5\% | 5.4\% | 6,709 | 3.7\% | 21.7\% |
| Operating Income (Loss) | 2,836 | 1.3\% | 3,090 | 1.4\% | -8.2\% | 897 | 0.5\% | 216.2\% |
| Net Non-Operating Income (Loss) | 444 | 0.2\% | (309) | -0.1\% | 243.7\% | 865 | 0.5\% | -48.7\% |
| PBT | 3,280 | 1.5\% | 2,781 | 1.3\% | 17.9\% | 1,762 | 1.0\% | 86.2\% |
| Tax | (822) | 0.4\% | $(1,008)$ | 0.5\% | 18.5\% | (417) | 0.2\% | -97.1\% |
| Consolidated Net Income | 2,458 | 1.1\% | 1,773 | 0.8\% | 38.6\% | 1,345 | 0.7\% | 82.8\% |
| Net Income (after minority interest) | 1,353 | 0.6\% | 822 | 0.4\% | 64.6\% | 366 | 0.2\% | 269.7\% |
| Adjusted EPS | 0.60 |  | 0.36 |  | 66.7\% | 0.17 |  | 252.9\% |

## Consolidated Balance Sheet

| (NT\$ Mn) | 3Q2012 | 2Q2012 | QoQ | 3Q2011 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash and Equivalents | 53,080 | 53,329 | (249) | 40,758 | 12,322 |
| AR (Net) | 114,928 | 119,317 | $(4,389)$ | 90,193 | 24,735 |
| Inventory (Net) | 94,053 | 77,478 | 16,575 | 78,884 | 15,169 |
| Other Current Assets | 19,473 | 18,127 | 1,346 | 13,367 | 6,106 |
| Total Current Assets | 281,534 | 268,251 | 13,283 | 223,202 | 58,332 |
| Investment | 3,560 | 3,671 | (111) | 4,910 | $(1,350)$ |
| Fixed Assets (Net) | 72,549 | 73,652 | $(1,103)$ | 63,912 | 8,637 |
| Other Assets | 11,834 | 9,980 | 1,854 | 9,617 | 2,217 |
| Total Assets | 369,477 | 355,554 | 13,923 | 301,641 | 67,836 |
| Short-term Borrowings | 22,562 | 30,713 | $(8,151)$ | 25,110 | $(2,548)$ |
| AP | 150,121 | 129,188 | 20,933 | 108,649 | 41,472 |
| Other Current Liabilities | 37,125 | 34,722 | 2,403 | 25,123 | 12,002 |
| Total Current Liabilities | 209,808 | 194,623 | 15,185 | 158,882 | 50,926 |
| Long-term Loan | 34,362 | 37,080 | $(2,718)$ | 24,752 | 9,610 |
| Other Liabilities | 1,140 | 854 | 286 | 400 | 740 |
| Total Liabilities | 245,310 | 232,557 | 12,753 | 184,034 | 61,276 |
| Paid-in Capital | 22,564 | 22,564 | 0 | 22,564 | 0 |
| Capital Surplus | 64,047 | 64,004 | 43 | 63,445 | 602 |
| Retained Earnings | 9,761 | 8,408 | 1,353 | 5,333 | 4,428 |
| Adjusted Items | $(3,032)$ | $(1,680)$ | $(1,352)$ | 70 | $(3,102)$ |
| Treasury Stocks | (19) | (19) | 0 | (19) | 0 |
| Net Equity | 124,167 | 122,997 | 1,170 | 117,607 | 6,560 |
| Total Liabilities and Net Equity | 369,477 | 355,554 | 13,923 | 301,641 | 67,836 |
| Current Ratio | 134\% | 138\% | - | 140\% | - |
| Debt Ratio (TTL Liabilities / TTL Assets) | 66\% | 65\% | - | 61\% | - |
| Interest-bearing Debt Ratio | 15\% | 19\% | - | 17\% | - |

- 11 -


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## Business Highlight

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## DMS Revenue Trend



Revenue in 3Q2012 totaled NT\$192Bn, a $2.1 \%$ growth from NT\$188Bn in the previous quarter. The growth was driven mainly by better than expected demands for Communication products as well as seasonal effect from Consumer Electronics products.

Note: Since 3Q2012, tablet business has been moved to Consumer Electronics from Computing segment, and historical product mix percentages have been revised accordingly

## Revenue Breakdowns by Products (Quarter-over-Quarter)



Impacted by soft end-demand before Windows 8 launch along with end of production for low cost NB, revenue in Computing segment dropped by $10 \%$ QoQ. Driven by better than expected demand, revenue in Communication segment grew by $22 \%$ QoQ, while revenue in Consumer Electronics segment grew by 10\% QoQ.

## Revenue Breakdowns by Products (Year-over-Year)



Revenue in Computing segment increased by $8 \%$ YoY due to improved ASP. With a weaker seasonal effect, revenue in Consumer Electronics segment dropped by $28 \%$ YoY. Contributed by better utilization, sales in Communication segment grew substantially by $123 \%$ on a YoY basis.

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## Business Outlook in 4Q12 (QoQ)

- NB shipment to be flat to low single digit growth
- MB \& DT shipment to be flat to low single digit growth
- Revenue of consumer electronics to more than double
- Revenue of communication to decline by $\mathbf{2 0 \%}$ to $\mathbf{2 5 \%}$

Note: Starting from 3Q2012, tablet business has been moved to Consumer Electronics segment from Computing segment.

## PEGATRON

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