

PEGATRON



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2014 Second Quarter Business Review

August 11, 2014

- **Financial Results**
- **Business Highlight**

- 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.

2Q2014 Consolidated Financial Result

Consolidated Income Statement

<i>(NT\$ Mn)</i>	<u>1H2014</u>		<u>1H2013</u>		<u>YoY</u>
Net Revenue	431,089	100%	429,815	100%	0.3%
COGS	406,789	94.4%	408,359	95.0%	-0.4%
Gross Profit	24,300	5.6%	21,456	5.0%	13.3%
Operating Expense	13,529	3.1%	13,910	3.2%	-2.7%
Operating Income (Loss)	10,771	2.5%	7,546	1.8%	42.7%
Net Non-Operating Income (Loss)	(2,637)	-0.6%	569	0.1%	-563.4%
FX Gain (Loss)	(750)	-0.2%	1,111	0.3%	-167.5%
Others	(1,887)	-0.4%	(542)	-0.1%	-248.2%
PBT	8,134	1.9%	8,115	1.9%	0.2%
Tax	(2,164)	0.5%	(2,149)	0.5%	0.7%
Net Income	5,970	1.4%	5,966	1.4%	0.1%
Net Income Attributable to the Parent	4,230	1.0%	3,698	0.9%	14.4%
EPS	1.82		1.62		12.3%
Excluding Impact from ECB Valuation	<u>1H2014</u>		<u>1H2013</u>		<u>YoY</u>
Valuation Gain (Loss) on ECB	(2,318)		(985)		-
PBT	10,452		9,100		14.9%
Net Income Attributable to the Parent	6,548		4,683		39.8%
EPS	2.82		2.05		37.6%

Consolidated Income Statement

<i>(NT\$ Mn)</i>	2Q2014		1Q2014		QoQ	2Q2013		YoY
Net Revenue	212,352	100%	218,737	100%	-2.9%	212,227	100%	0.1%
COGS	199,349	93.9%	207,440	94.8%	-3.9%	202,774	95.5%	-1.7%
Gross Profit	13,003	6.1%	11,297	5.2%	15.1%	9,453	4.5%	37.6%
Operating Expense	7,299	3.4%	6,231	2.8%	17.1%	6,796	3.2%	7.4%
Operating Income (Loss)	5,704	2.7%	5,066	2.3%	12.6%	2,657	1.3%	114.7%
Net Non-Operating Income (Loss)	(2,033)	-1.0%	(604)	-0.3%	-236.6%	773	0.4%	-363.0%
FX Gain (Loss)	(494)	-0.2%	(256)	-0.1%	-93.0%	770	0.4%	-164.2%
Others	(1,539)	-0.7%	(348)	-0.2%	-342.2%	3	0.0%	-51400.0%
PBT	3,671	1.7%	4,462	2.0%	-17.7%	3,430	1.6%	7.0%
Tax	(1,188)	0.6%	(976)	0.4%	21.7%	(917)	0.4%	29.6%
Net Income	2,483	1.2%	3,486	1.6%	-28.8%	2,513	1.2%	-1.2%
Net Income Attributable to the Parent	1,498	0.7%	2,732	1.2%	-45.2%	1,393	0.7%	7.5%
EPS	0.65		1.18		-44.9%	0.61		6.6%
Excluding Impact from ECB Valuation	2Q2014		1Q2014		QoQ	2Q2013		YoY
Valuation Gain (Loss) on ECB	(1,732)		(586)		-	(339)		-
PBT	5,403		5,048		7.0%	3,769		43.4%
Net Income Attributable to the Parent	3,230		3,318		-2.7%	1,732		86.5%
EPS	1.39		1.43		-2.8%	0.76		82.9%

Consolidated Balance Sheet

<i>(NT\$ Mn)</i>	2Q2014	1Q2014	QoQ	2Q2013	YoY
Cash and Equivalents	90,346	85,971	4,375	62,413	27,933
AR (Net)	82,871	83,625	(754)	81,661	1,210
Inventory (Net)	76,563	80,844	(4,281)	88,805	(12,242)
Other Current Assets	28,835	25,519	3,316	26,661	2,174
Total Current Assets	278,615	275,959	2,656	259,540	19,075
Investment	3,075	2,858	217	3,445	(370)
Fixed Assets (Net)	70,665	73,058	(2,393)	75,396	(4,731)
Other Assets	10,768	11,589	(821)	11,921	(1,153)
Total Non-Current Assets	84,508	87,505	(2,997)	90,762	(6,254)
Total Assets	363,123	363,464	(341)	350,302	12,821
Short-term Borrowings	25,646	24,067	1,579	34,845	(9,199)
AP	119,193	120,560	(1,367)	112,072	7,121
Other Current Liabilities	53,016	41,267	11,749	45,133	7,883
Total Current Liabilities	197,855	185,894	11,961	192,050	5,805
Long-term Loans	17,123	20,306	(3,183)	19,455	(2,332)
Other Liabilities	3,715	3,703	12	4,463	(748)
Total Liabilities	218,693	209,903	8,790	215,968	2,725
Paid-in Capital	23,282	23,231	51	22,891	391
Capital Surplus	65,568	65,439	129	62,511	3,057
Retained Earnings	18,877	23,875	(4,998)	15,268	3,609
Others	(359)	1,242	(1,601)	(455)	96
Treasury Stocks	(6)	(18)	12	(19)	13
Net Equity	144,430	153,561	(9,131)	134,334	10,096
Total Liabilities and Net Equity	363,123	363,464	(341)	350,302	12,821
Current Ratio	141%	148%	-	135%	-
Debt Ratio (TTL Liabilities / TTL Assets)	60%	58%	-	62%	-
Interest-bearing Debt Ratio	12%	12%	-	16%	-

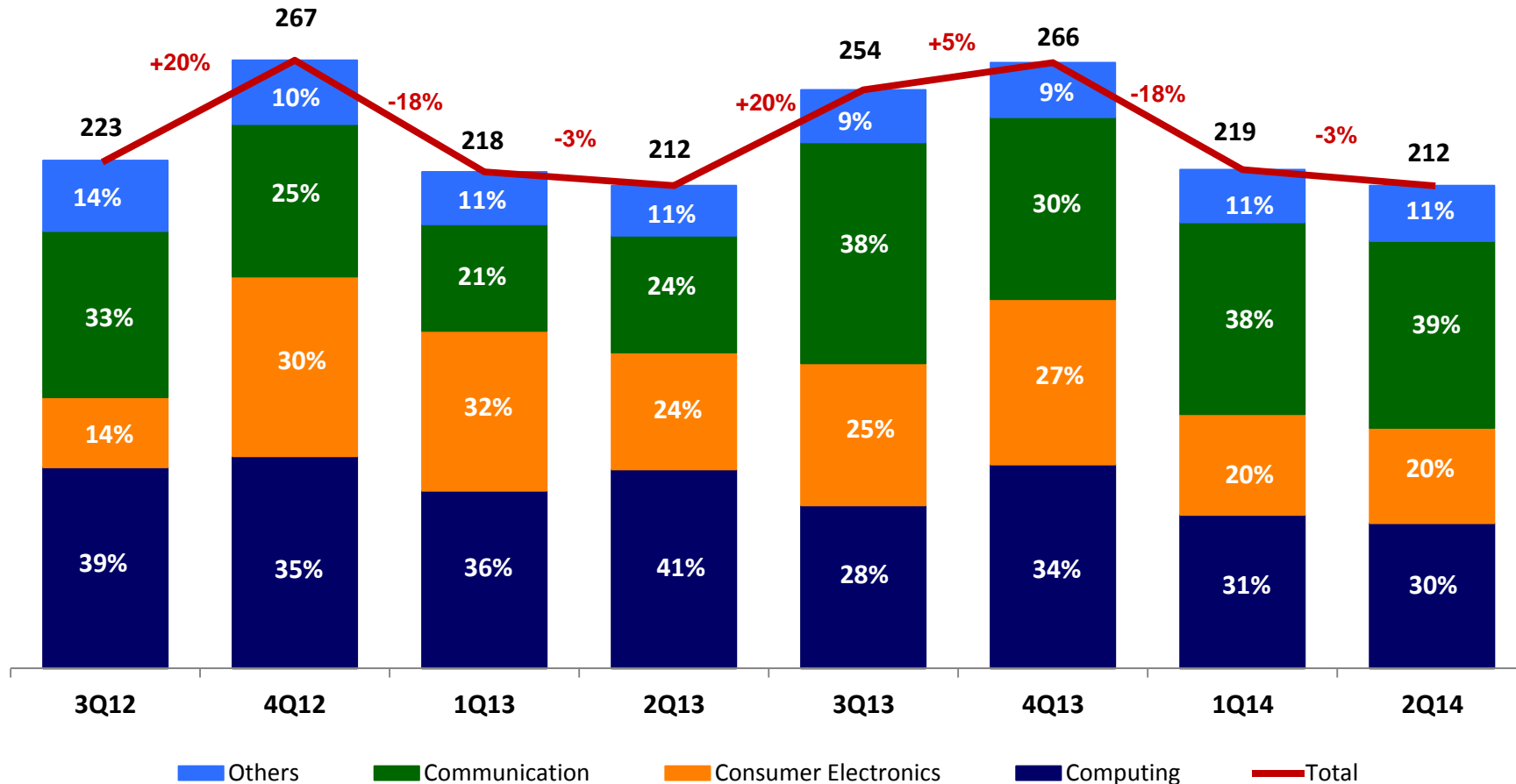
Consolidated Cash Flows Statement

<i>(NT\$ Mn)</i>	1H2014	1H2013
Cash Flows from Operating Activities:	32,455	9,074
Cash Flows from Investing Activities:	(2,598)	(6,704)
Cash Flows from Financing Activities:	(13,495)	114
Impact from Changes in FX Rate	(277)	505
Net Increase in Cash	16,085	2,989
Cash, beginning of the period	74,261	59,424
Cash, end of the period	90,346	62,413
 <i>Note:</i>	 1H2014	 1H2013
Depreciation and amortization	6,933	6,961

Business Highlight

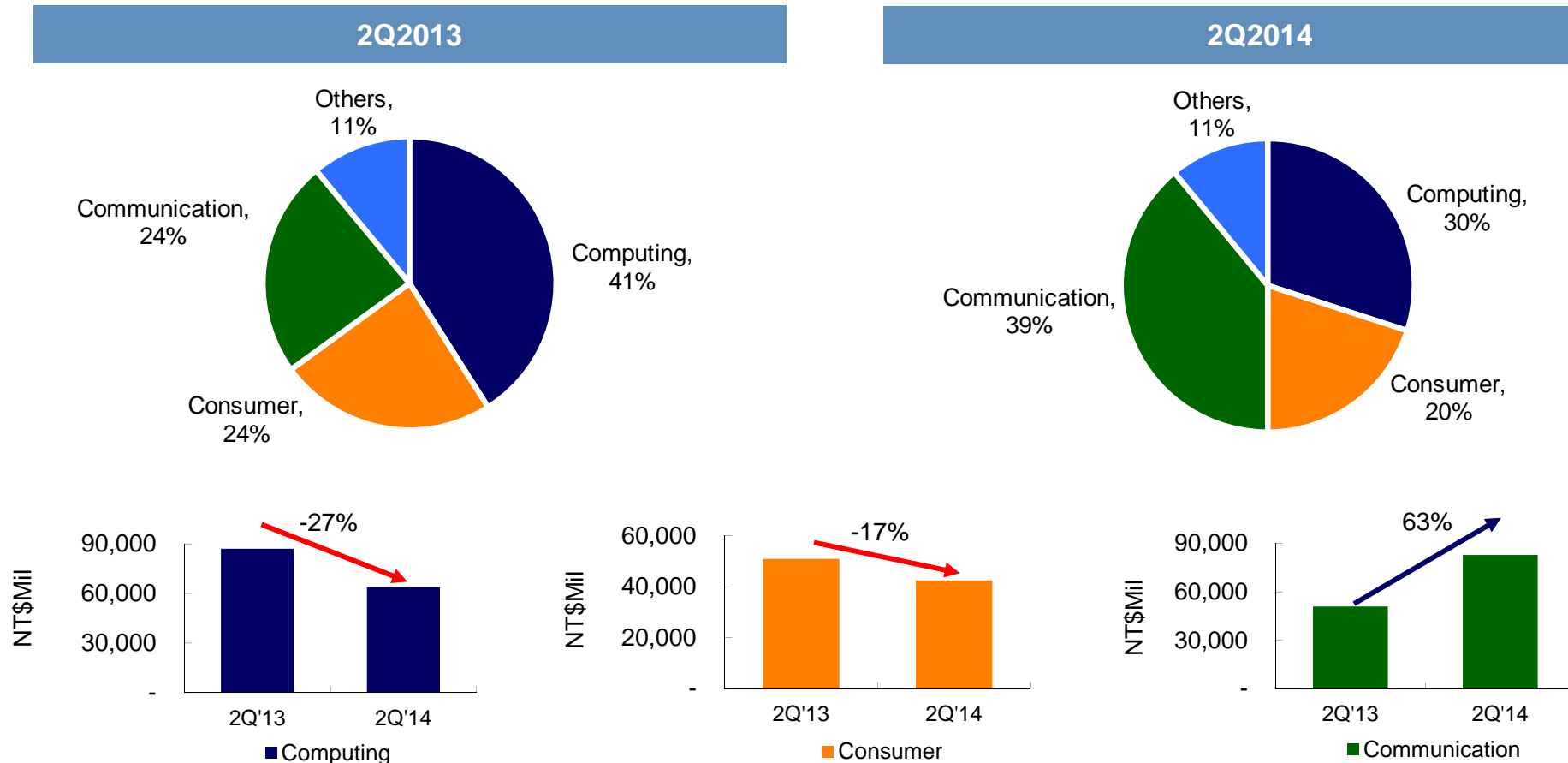
Consolidated Revenue Trend

Unit: NTD Bn



Consolidated revenue in 2Q2014 totaled NT\$212Bn, slightly declined by 3% from NT\$219Bn in the previous quarter. The decline was attributable to lower than expected demand in Computing, while Consumer Electronics and Communication segment remained relatively stable.

Revenue Breakdowns by Products (Year-over-Year)

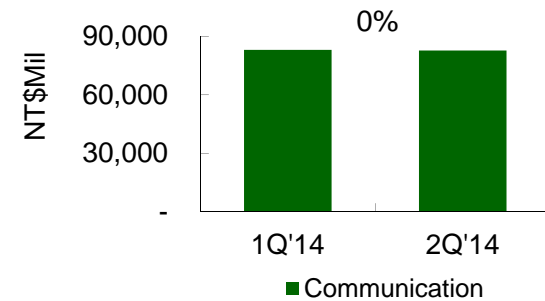
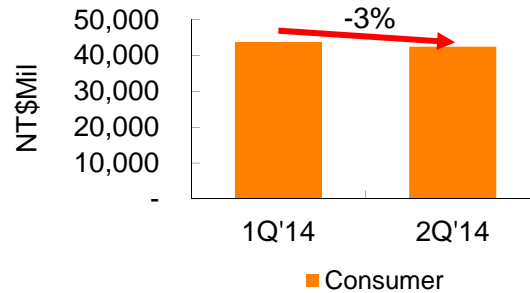
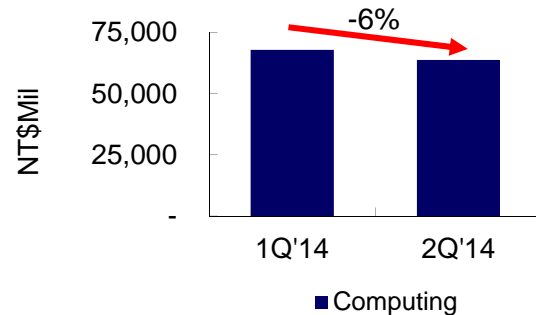
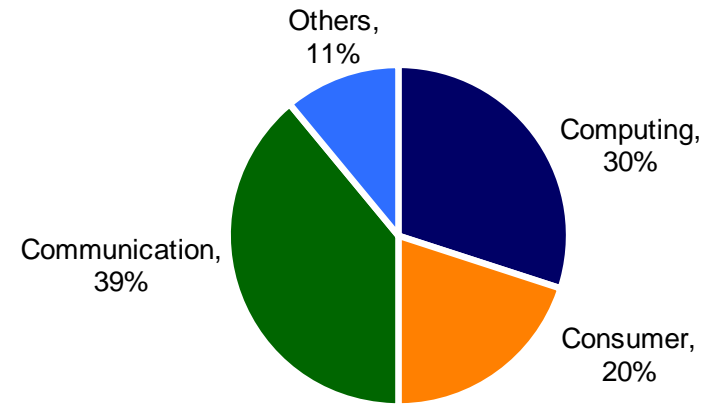
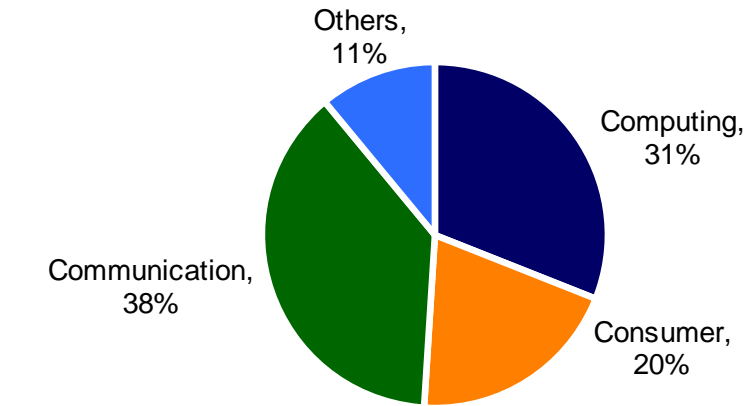


Benefiting from improving scale in Communication segment, revenue from Communication grew by over 60% YoY and revenue contribution increased to 39% from 24% in a-year-ago quarter. Resulting from continuous cannibalization by smart devices, revenue from Computing segment declined by 27% on YoY basis, while that of Consumer Electronics declined by 17% as tablet gradually approaching its maturity.

Revenue Breakdowns (Quarter-over-Quarter)

1Q2014

2Q2014



As a result of seasonal pattern, both Computing and Consumer Electronics segments declined by 6% and 3% respectively on QoQ basis. Due to stable demand, revenue from Communication remained flattish QoQ.

- NB shipment volume to decline by 5%~10%
- MB & DT shipment volume to decline by 0%~5%
- Revenue from non-computing segment to grow by 20%~30%

Q & A