

PEGATRON

Quarterly Management Report - First Quarter, 2013

DMS Pro Forma

The report is based on DMS Pro Forma compiled from our consolidated financial statements excluding non-core (non-DMS) entities.

Highlights of Revenue and Product Mix

(Note: Starting from 1Q13, financial statements are based on TIFRS, while the historical quarters (before year 2013) were based on ROC GAPP.)

Revenue				NT\$ Bn	
1Q13	4Q12	1Q12	QoQ	YoY	
195	239	149	-18.2%	30.9%	

Product Mix	%		
	1Q13	4Q12	1Q12
Computing	40%	39%	49%
Consumer Electronics	36%	33%	18%
Communication	24%	28%	33%

Highlights of P&L

	NT\$Bn; %				
	1Q13	4Q12	1Q12	QoQ	YoY
Gross Profit	6.0	6.8	4.5	-12%	33%
Gross Margin	3.1%	2.8%	3.0%	-	-
Operating Income	1.5	0.6	0.4	139%	254%
Operating Margin	0.8%	0.3%	0.3%	-	-
Income Before Tax	2.4	2.9	1.4	-19%	73%
Net Income	2.3	2.7	1.3	-13%	81%
Net Margin	1.2%	1.1%	0.9%	-	-

Highlights of B/S

	NT\$Bn; %		
	1Q13	4Q12	1Q12
Cash & Equivalent	38	34	25
AR	71	105	67
Inventory	93	80	61
Current Assets	230	242	165
Investments	41	39	39
Total Assets	310	318	238
AP	140	161	93
Current Liabilities	189	201	122
Total Liabilities	209	222	146
Paid-in Capital	23	23	23
Net Equity	101	96	92
Current Ratio	122%	121%	135%
Debt Ratio (1)	67%	70%	61%
Interest-bearing Debt Ratio(2)	11%	11%	17%

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$195Bn for the quarter ended Mar. 31, 2013, declined by 18.2% from the previous quarter as a result of low season across Computing, Consumer Electronics and Communication segments. On a year-over-year basis, 1Q13 revenue grew by 30.9% benefitting from significant increase in tablet volume under Consumer Electronics segment.

Sales weighting of Computing segment maintained flattish at 40% in 1Q13. Driven by increasing volume in tablets, sales weighting of Consumer Electronic increased to 36% in 1Q13 from 33% a quarter ago. Coming down from the high base in 4Q12, sales in Communication segment declined by around 30% QoQ and consequently its sale weighting reduced to 24% in 1Q13.

Operating Performance

Despite declined revenue in 1Q13, the Company's gross margin improved by a 0.3 percentage point QoQ to 3.1% due to improving operation efficiency. As a result, operating income more than doubled to NT\$1.5Bn from NT\$0.6Bn in the previous quarter. However, the Company's net income, negatively affected by valuation loss on financial instrument, reduced to NT\$2.3Bn in 1Q13, down by NT\$0.4Bn from NT\$2.7Bn a quarter ago.

Financial Position

As a result of low season, both accounts receivable and account payable reduced to NT\$71Bn and NT\$140Bn respectively in 1Q13, while inventory increased to NT\$93Bn in the same quarter, up from NT\$80Bn in the previous quarter.

Liquidity remained positive in 1Q13 with current ratio at 122%, slightly up from 121% a quarter ago. By the end of Mar. 31, 2013, cash and cash equivalent was NT\$38Bn, increased by NT\$4Bn on quarter-over-quarter basis.

Financial structure as of 1Q13 is healthy with debt ratio and interest-bearing debt ratio remained stable at 67% and 11% respectively.

2Q13 Business Outlook

NB and MB/DT shipments are expected to increase by 5%~10% QoQ each. Revenue of Consumer Electronics is expected to decline by 25% ~ 30% QoQ, while revenue of Communication segment is expected to remain flat QoQ.

About Pegatron

Pegatron is a leading DMS (Design, Manufacturing Service) company with extensive experience and proven capabilities in design innovations, product development, vertical integration and after-sale services. We believe that technology can transform imagination into opportunities, challenges into pleasure. With the mission of navigating the future, we are pursuing to serve our customers with innovation and services. For more information about Pegatron, please visit www.pegatroncorp.com and www.pegadesign.com.