

PEGATRON

Quarterly Management Report - First Quarter, 2010

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

Revenue				NT\$ Bn	
1Q10	4Q09	1Q09	QoQ	YoY	
110	148	83	-25.6%	32.7%	

Product Mix

	1Q10	4Q09	1Q09	%	
Computing	78%	69%	77%		
Consumer	14%	22%	9%		
Communication	8%	9%	14%		

Highlights of P&L

	1Q10	4Q09	1Q09	QoQ	YoY
Gross Profit	5.0	5.7	3.8	-12%	34%
Gross Margin	4.6%	3.9%	4.5%	-	-
Operating Income	1.5	1.6	0.7	-3%	130%
Operating Margin	1.4%	1.1%	0.8%	-	-
Income Before Tax	2.6	2.3	1.0	11%	151%
Net Income	1.8	2.2	0.5	-20%	246%
Net Margin	1.6%	1.5%	0.6%	-	-
EPS (NT\$)	0.78	0.97	0.22	-20%	255%

Highlight of B/S

	1Q10	4Q09	1Q09	NT\$Bn; %	
Cash & Equivalent	16	12	17		
AR	46	62	41		
Inventory	38	35	27		
Current Assets	103	112	93		
Investments	31	31	29		
Total Assets	169	178	161		
AP	48	56	42		
Current Liabilities	68	75	61		
Total Liabilities	76	83	69		
Paid-in Equity	23	23	19		
Net Worth	93	96	93		
Current Ratio	150%	149%	153%		
Debt Ratio (1)	50%	46%	43%		
Interest-bearing Debt Ratio(2)	7%	9%	9%		

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

About Pegatron

Pegatron is a leading DMS (Design, Manufacturing Service) company with extensive experience and proven capabilities in design innovations, product development, vertically integrated 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.

Sales Result

The Company posted revenue of NT\$110Bn for the quarter ended March 31, 2010, a 25.6% decrease from the previous quarter due to impact of seasonality and fewer working days. However, the Company achieved 32.7% growth in sales from the year-ago quarter, reinforcing our view of a recovering market. Sales weighting of Computing products rose to 78% reflecting the better-than-expected demand in 1Q10. Consequently, sales weightings of both Consumer products and Communication products decreased to 14% and 8% in 1Q10 from 22% and 9% in 4Q09 respectively.

Operating Performance

The Company's gross margin achieved a 0.7 percentage point QoQ increase to 4.6%, while the operating margin in the same quarter was 1.4%, up from 1.1% in 4Q09 and 0.8% in the year-ago quarter, thanks to a more stable ASP than previous quarters and effective cost management. Income before tax increased to NT\$2.6Bn representing 11% QoQ and 151% YoY growth; however, net income showed a 20% QoQ decrease mainly arising from the accrued corporate income tax on the undistributed earnings. As a result, EPS for 1Q10 was NT\$0.78, down by 20% QoQ (but a 255% increase YoY).

Financial Position

Account receivables and account payables reduced by around NT\$16Bn and NT\$8Bn respectively, reflecting the decline of sales in the first quarter of 2010. Inventories, on the other hand, increased by NT\$3Bn in 1Q10 as compared to that of the fourth quarter of 2009, which was intended to cautiously reserve for potential material shortage (the prevailing market concerns). Liquidity remained satisfactory in 1Q10 with current ratio at 150%. At the end of 1Q10, cash and cash equivalent increased to NT\$16Bn from NT\$12Bn as of 4Q09, which was driven by profitable operations and balanced cash flow.

The financial structure as of 1Q10 continued being healthy with debt ratio at 50%. Interest-bearing debt ratio was even lower (7%), representing adequate capabilities to meet the Company's future financial needs.