

# PEGATRON

## Quarterly Management Report - Third 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	
3Q10	2Q10	3Q09	QoQ	YoY	
115	104	147	11.1%	-21.6%	

### Product Mix %

	3Q10	2Q10	3Q09
Computing	61%	71%	61%
Consumer	27%	16%	29%
Communication	12%	13%	10%

### Highlights of P&L NT\$Bn; %

	3Q10	2Q10	3Q09	QoQ	YoY
Gross Profit	3.7	4.7	6.9	-20.5%	-46%
Gross Margin	3.2%	4.5%	4.7%	-	-
Operating Income	0.2	0.9	2.2	-79%	-92%
Operating Margin	0.2%	0.9%	1.5%	-	-
Income Before Tax	1.7	1.6	3.9	9.4%	-56%
Net Income	1.5	1.7	3.5	-15%	-59%
Net Margin	1.3%	1.6%	2.4%	-	-
EPS (NT\$)	0.64	0.74	1.54	-13.5%	-58%

### Highlights of B/S NT\$Bn; %

	3Q10	2Q10	3Q09
Cash & Equivalent	18	15	14
AR	43	44	70
Inventory	40	37	50
Current Assets	105	100	138
Investments	33	32	30
Total Assets	171	165	204
AP	43	39	83
Current Liabilities	68	62	104
Total Liabilities	76	70	111
Paid-in Equity	23	23	23
Net Worth	95	95	93
Current Ratio	153%	159%	133%
Debt Ratio (1)	45%	42%	54%
Interest-bearing Debt Ratio(2)	12%	12%	8%

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

### Sales Result

The Company posted revenue of NT\$115Bn for the quarter ended Sep 30, 2010, a 11.1 % increase from the previous quarter mainly driven by traditional peak season for non-PC products. However, the Company experienced a 21.6% decrease in sales from the year-ago quarter, caused by slower than expected market demand in computing products. A milder growth in sales of broadband products further weakened the sales performance.

Sales weighting of Computing products reduced to 61% in 3Q10 from 71% in 2Q10 reflecting growth of Consumer products and drop of ASP as well as weaker end market demand in Computing products. Sales weightings of Consumer products followed its seasonality and increased to 27% from 16% in the last quarter while Communication products remained flat at around 12%.

### Operating Performance

The Company's gross margin dropped by a 1.3 percentage point QoQ to 3.2%, while the operating margin in the same quarter was down from 0.9% to 0.2% in 3Q10, mainly caused by the negative impact from FX and inflows of low margin orders which further eroded the profit margins. In addition, initial cost has incurred in the third quarter for new products to be shipped in the next few quarters. Net income reduced to NT\$1.5Bn in 3Q, by NT\$0.2Bn as compared to the previous quarter. As a result, EPS for 3Q10 was NT\$0.64, down by 13.5% QoQ and 58% YoY.

### Financial Position

Account receivables remain at the similar level as compared to the prior quarter at NT\$43Bn in 3Q10 while inventory and account payable increased to NT\$40Bn and NT\$43Bn respectively in the third quarter.

Liquidity remained satisfactory in 3Q10 with current ratio at 153%, down by 6 percentage point from the last quarter. At the end of Sep 30, 2010, cash and cash equivalent was up slightly by NT\$3Bn to NT\$18Bn in 3Q10.

The financial structure as of 3Q10 continued being healthy with debt ratio at 45% while interest-bearing debt ratio remained at 12%.

### 4Q10 Business Outlook

NB shipment, including net book, is expected to remain flat in 4Q10 while MB/DT is expected to grow high single digit. Revenue of Consumer electronic is expected to drop mid single digit post its peak season in 3Q10 and Communication segment is likely to grow low single digit.

### 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](http://www.pegatroncorp.com) and [www.pegadesign.com](http://www.pegadesign.com).