

# PEGATRON

## Quarterly Management Report - First Quarter, 2011

### 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	
1Q11	4Q10	1Q10	QoQ	YoY	
85.6	106	110	-19%	-22%	

Product Mix			%
	1Q11	4Q10	1Q10
Computing	54%	61%	78%
Consumer	10%	25%	14%
Communication	36%	14%	8%

### Highlights of P&L

					NT\$Bn;%	
	1Q11	4Q10	1Q10	QoQ	YoY	
Gross Profit	1.5	2.3	5.1	-35%	-70%	
Gross Margin	1.8%	2.2%	4.6%	-	-	
Operating Income	-2.2	-0.8	1.5	-174%	-243%	
Operating Margin	-2.5%	-0.8%	1.4%	-	-	
Income Before Tax	-0.4	1.4	2.6	-129%	-116%	
Net Income	-0.6	1.3	1.8	-143%	-131%	
Net Margin	-0.7%	1.2%	1.6%	-	-	
EPS (NT\$)	-0.25	0.57	0.78	-144%	-132%	

### Highlights of B/S

				NT\$Bn;%	
	1Q11	4Q10	1Q10		
Cash & Equivalent	15	23	16		
AR	41	40	46		
Inventory	36	31	38		
Current Assets	95	97	103		
Investments	35	31	31		
Total Assets	162	160	169		
AP	44	41	48		
Current Liabilities	63	62	68		
Total Liabilities	71	69	76		
Paid-in Capital	23	23	23		
Net Equity	91	91	93		
Current Ratio	152%	157%	150%		
Debt Ratio (1)	44%	43%	45%		
Interest-bearing Debt Ratio(2)	9%	12%	7%		

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

### Sales Result

The Company posted revenue of NT\$85.6Bn for the quarter ended Mar 31, 2011, a 19% QoQ decline mainly caused by weakening end demand in consumer PC sector, off season for Consumer products and fewer working days in 1Q11. On year-over-year basis, the revenue declined by 22% especially in Computing and Consumer Electronics segments due to a higher base in the same quarter last year.

Sales weighting of Computing products reduced to 54% in 1Q11 from 61% in 4Q10, and the decline is attributable to the aforementioned reasons and increasing sales contribution from non-computing segments, namely Communication. Sales weightings of Consumer products followed its seasonality and reduced to 10% from 25% in the last quarter while Communication products post meaningful growth from 14% in 4Q10 to 36% in 1Q11 due to shipment of new product.

### Operating Performance

The Company's gross margin dropped by a 0.4 percentage point QoQ to 1.8%, while the operating margin in the same quarter was down from -0.8% to -2.5% in 1Q11, mainly caused by surging labor cost and component cost while declined revenue in 1Q11 further eroded the profit margins. Net income turned negative to NT\$-0.6Bn in 1Q11, reduced by NT\$1.9Bn as compared to the previous quarter. As a result, EPS for 1Q11 was NT\$-0.25, down by 144% QoQ and 132% YoY.

### Financial Position

Account receivables and account payable increased to NT\$41Bn and NT\$44Bn in 1Q11 whilst inventory also increased to NT\$36Bn by NT\$5Bn as compared to the previous quarter.

Liquidity remained satisfactory in 1Q11 with current ratio reduced to 152%, down by 5 percentage point from the last quarter. At the end of Mar 31, 2011, cash and cash equivalent was down to NT\$15Bn from NT\$23Bn in 4Q10.

The financial structure as of 1Q11 continued being healthy with debt ratio at 44% while interest-bearing debt ratio down to 9%.

### 2Q11 Business Outlook

NB shipment, including net book, is expected to grow by 20%~30% in 2Q11 due to new model launch and new customer order ramp up whereas MB/DT is also expected to grow by 10%~15%. Revenue of Consumer Electronic is expected to grow by 20%~30% as seasonality is picking up while the growth is likely to be off set by revenue decline in Communication segment in 2Q11.

### 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).