

PEGATRON

Quarterly Management Report - Second 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				
	2Q11	1Q11	2Q10	QoQ	YoY
	105	85.6	104	22%	1%

Product Mix

	%		
	2Q11	1Q11	2Q10
Computing	61%	54%	71%
Consumer	12%	10%	16%
Communication	27%	36%	13%

Highlights of P&L

	NT\$Bn;%				
	2Q11	1Q11	2Q10	QoQ	YoY
Gross Profit	1.7	1.5	4.7	14%	-63%
Gross Margin	1.6%	1.8%	4.5%	-	-
Operating Income	-2.0	-2.2	0.9	10%	-315%
Operating Margin	-1.9%	-2.5%	0.9%	-	-
Income Before Tax	-0.7	-0.4	1.6	-66%	-144%
Net Income	-0.7	-0.6	1.7	-20%	-140%
Net Margin	-0.6%	-0.7%	1.6%	-	-
EPS (NT\$)	-0.3	-0.25	0.74	-20%	-141%

Highlights of B/S

	NT\$Bn;%		
	2Q11	1Q11	2Q10
Cash & Equivalent	19	15	15
AR	48	41	44
Inventory	50	36	37
Current Assets	122	95	100
Investments	41	35	32
Total Assets	193	162	166
AP	61	44	39
Current Liabilities	92	63	62
Total Liabilities	107	71	70
Paid-in Capital	23	23	23
Net Equity	86	91	95
Current Ratio	132%	152%	159%
Debt Ratio (1)	55%	44%	42%
Interest-bearing Debt Ratio(2)	16%	9%	12%

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$105Bn for the quarter ended Jun 30, 2011, a 22% increase from the previous quarter due to the lower base in 1Q11, better than expected shipments from Computing segment as well as the starting of seasonal peak for Consumer Electronics segment. On year-over-year basis, the revenue remained flattish at 1% growth.

Sales weighting of Computing products increased to 61% in 2Q11 from 54% in 1Q11, mainly attributable to increasing shipment of new models. Sales weightings of Consumer Electronics products increased by 2% to 12% comparing to the last quarter as a result of its seasonal pattern, while Communication products declined to 27% in 2Q11 from 36% in 1Q11.

Operating Performance

The Company's gross margin dropped by a 0.2 percentage point QoQ to 1.6%. However, the operating margin in the same quarter improved to -1.9% from -2.5% in the previous quarter, mainly due to better quarterly revenue and stable operating expense in 2Q11. Net income declined to NT\$-0.7Bn in 2Q11, reduced by NT\$0.1Bn as compared to the previous quarter. As a result, EPS for 2Q11 was NT\$-0.30, down by 20% QoQ and 141% YoY.

Financial Position

Account receivables and account payable increased to NT\$48Bn and NT\$61Bn in 2Q11, whilst inventory also increased to NT\$50Bn by NT\$14Bn as compared to the previous quarter due to the coming of seasonal peak.

Liquidity remained positive in 2Q11 with current ratio at 132%, down by 20 percentage point from the last quarter. By the end of Jun 30, 2011, cash and cash equivalent was up to NT\$19Bn from NT\$15Bn in 1Q11.

The financial structure as of 2Q11 continued being healthy with debt ratio and interest-bearing debt ratio at 55% and 16% respectively.

3Q11 Business Outlook

NB shipment, including netbook PCs and tablet PCs, is expected to grow by 20%~30% in 3Q11, whereas MB/DT is also expected to remain flat to mid single digit growth. Revenue of Consumer Electronic is expected to grow more than double as a result of its seasonality, while the Communication segment is expected to maintain flat in 3Q11.

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.