## PEGATRON

## 2012 First Quarter Business Review

May 10, 2012

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## Agenda

■ Financial Results

- 1Q12 DMS Pro Forma Financial Result (compiled by Pegatron)
- 1Q12 Consolidated Financial Result
- Business Highlight


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## Safe Harbor Notice

- Pegatron's statements of its current expectations are forward looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.


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## 1Q12 DMS Pro Forma Financial Result (Compiled by Pegatron)

## Income Statement - DMS Pro Forma

| (NT\$ Mn) | 1Q2012 |  | 4Q2011 |  | QoQ | 1Q2011 |  | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net Revenue | 149,180 | 100\% | 154,056 | 100\% | -3.2\% | 85,621 | 100\% | 74.2\% |
| COGS | 144,682 | 97.0\% | 149,127 | 96.8\% | -3.0\% | 84,109 | 98.2\% | 72.0\% |
| Gross Profit | 4,498 | 3.0\% | 4,929 | 3.2\% | -8.7\% | 1,512 | 1.8\% | 197.5\% |
| Operating Expense | 4,068 | 2.7\% | 4,424 | 2.9\% | -8.0\% | 3,692 | 4.3\% | 10.2\% |
| Operating Income (Loss) | 430 | 0.3\% | 505 | 0.3\% | -14.9\% | $(2,180)$ | -2.5\% | 119.7\% |
| Net Non-Operating Income (Loss) | 940 | 0.6\% | 410 | 0.3\% | 129.3\% | 1,764 | 2.1\% | -46.7\% |
| Investment Income - Equity Method | 276 | 0.2\% | 241 | 0.2\% | 14.5\% | 786 | 0.9\% | -64.9\% |
| FX Gain (Loss) | 491 | 0.3\% | 40 | 0.0\% | 1127.5\% | 415 | 0.5\% | 18.3\% |
| Others | 173 | 0.1\% | 129 | 0.1\% | 34.1\% | 563 | 0.7\% | -69.3\% |
| PBT | 1,370 | 0.9\% | 915 | 0.6\% | 49.7\% | (416) | -0.5\% | 429.3\% |
| Tax | (93) | 0.1\% | 60 | 0.0\% | -255.0\% | (143) | 0.2\% | -35.0\% |
| Net Income | 1,277 | 0.9\% | 975 | 0.6\% | 31.0\% | (559) | -0.7\% | 328.4\% |
| Adjusted EPS | 0.57 |  | 0.43 |  | 32.6\% | (0.25) |  | 328.0\% |

## Balance Sheet - DMS Pro Forma

| (NT\$ Mn) | 1Q2012 | 4Q2011 | QoQ | 1Q2011 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash and Equivalents | 24,827 | 24,074 | 753 | 15,358 | 9,469 |
| AR (Net) | 67,144 | 69,689 | $(2,545)$ | 40,772 | 26,372 |
| Inventory (Net) | 60,769 | 51,899 | 8,870 | 35,830 | 24,939 |
| Other Current Assets | 12,373 | 8,602 | 3,771 | 3,532 | 8,841 |
| Total Current Assets | 165,113 | 154,264 | 10,849 | 95,492 | 69,621 |
| Investment | 39,321 | 39,402 | (81) | 34,805 | 4,516 |
| Fixed Assets (Net) | 29,897 | 30,223 | (326) | 27,632 | 2,265 |
| Other Assets | 4,010 | 3,716 | 294 | 3,698 | 312 |
| Total Assets | 238,341 | 227,605 | 10,736 | 161,627 | 76,714 |
| Short-term Borrowings | 16,231 | 15,919 | 312 | 7,134 | 9,097 |
| AP | 92,709 | 83,812 | 8,897 | 43,646 | 49,063 |
| Other Current Liabilities | 13,460 | 17,423 | $(3,963)$ | 12,124 | 1,336 |
| Total Current Liabilities | 122,400 | 117,154 | 5,246 | 62,904 | 59,496 |
| Long-term Loan | 23,233 | 18,165 | 5,068 | 7,056 | 16,177 |
| Other Liabilities | 775 | 702 | 73 | 628 | 147 |
| Total Liabilities | 146,408 | 136,021 | 10,387 | 70,588 | 75,820 |
| Paid-in Capital | 22,564 | 22,564 | 0 | 22,564 | 0 |
| Capital Surplus | 63,841 | 63,465 | 376 | 63,148 | 693 |
| Retained Earnings | 7,585 | 6,309 | 1,276 | 8,910 | $(1,325)$ |
| Adjusted Items | $(2,057)$ | (754) | $(1,303)$ | $(3,583)$ | 1,526 |
| Net Equity | 91,933 | 91,584 | 349 | 91,039 | 894 |
| Total Liabilities and Net Equity | 238,341 | 227,605 | 10,736 | 161,627 | 76,714 |
| Current Ratio | 135\% | 132\% | - | 152\% | - |
| Debt Ratio (TTL Liabilities / TTL Assets) | 61\% | 60\% | - | 44\% | - |
| Interest-bearing Debt Ratio | 17\% | 15\% | - | 9\% | - |

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## Cash Flows Statement - DMS Pro Forma

| (NT\$ Mn) | 1Q2012 | 4Q2011 |
| :---: | :---: | :---: |
| Cash Flows From Operating Activities: | $(2,941)$ | 6,728 |
| Cash Flows From Investing Activities: | $(2,339)$ | $(1,718)$ |
| Cash Flows From Financing Activities: | 5,811 | $(1,438)$ |
| Impact from Changes in FX Rate | 220 | (475) |
| Net Increase in Cash | 751 | 3,097 |
| Cash, beginning of the period | 24,074 | 20,977 |
| Cash, end of the period | 24,825 | 24,074 |
| Note: | 1Q2012 | 4Q2011 |
| Depreciation and amortization | 1,376 | 1,507 |

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## 1Q12 Consolidated Financial Result

## Consolidated Income Statements

| (NT\$ Mn) <br> Net Revenue | 1Q2012 |  | 4Q2011 |  | $\frac{\text { QoQ }}{-3.1 \%}$ | 1Q2011 |  | $\frac{\text { YoY }}{56.7 \%}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 171,894 | 100\% | 177,306 | 100\% |  | 109,708 | 100\% |  |
| COGS | 163,758 | 95.3\% | 168,594 | 95.1\% | -2.9\% | 104,463 | 95.2\% | 56.8\% |
| Gross Profit | 8,136 | 4.7\% | 8,712 | 4.9\% | -6.6\% | 5,245 | 4.8\% | 55.1\% |
| Operating Expense | 6,682 | 3.9\% | 7,458 | 4.2\% | -10.4\% | 5,777 | 5.3\% | 15.7\% |
| Operating Income (Loss) | 1,454 | 0.8\% | 1,254 | 0.7\% | 15.9\% | (532) | -0.5\% | 373.3\% |
| Net Non-Operating Income (Loss) | 943 | 0.5\% | 519 | 0.3\% | 81.7\% | 1,326 | 1.2\% | -28.9\% |
| PBT | 2,397 | 1.4\% | 1,773 | 1.0\% | 35.2\% | 794 | 0.7\% | 201.9\% |
| Tax | (373) | 0.2\% | (79) | 0.0\% | 372.2\% | (621) | 0.6\% | -39.9\% |
| Consolidated Net Income | 2,024 | 1.2\% | 1,694 | 1.0\% | 19.5\% | 173 | 0.2\% | 1069.9\% |
| Net Income (after minority interest) | 1,277 | 0.7\% | 975 | 0.5\% | 31.0\% | (559) | -0.5\% | 328.4\% |
| Adjusted EPS | 0.57 |  | 0.43 |  | 32.6\% | (0.25) |  | 328.0\% |

## Consolidated Balance Sheet

| (NT\$ Mn) | 1Q2012 | 4Q2011 | QoQ | 1Q2011 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Cash and Equivalents | 50,189 | 50,453 | (264) | 36,143 | 14,046 |
| AR (Net) | 84,905 | 84,246 | 659 | 57,477 | 27,428 |
| Inventory (Net) | 75,301 | 65,716 | 9,585 | 48,869 | 26,432 |
| Other Current Assets | 16,164 | 15,479 | 685 | 13,565 | 2,599 |
| Total Current Assets | 226,559 | 215,894 | 10,665 | 156,054 | 70,505 |
| Investment | 3,781 | 3,667 | 114 | 4,456 | (675) |
| Fixed Assets (Net) | 71,658 | 70,515 | 1,143 | 56,223 | 15,435 |
| Other Assets | 9,610 | 9,498 | 112 | 9,625 | (15) |
| Total Assets | 311,608 | 299,574 | 12,034 | 226,358 | 85,250 |
| Short-term Borrowings | 24,924 | 22,773 | 2,151 | 10,378 | 14,546 |
| AP | 107,853 | 100,016 | 7,837 | 65,493 | 42,360 |
| Other Current Liabilities | 24,378 | 28,702 | $(4,324)$ | 17,232 | 7,146 |
| Total Current Liabilities | 157,155 | 151,491 | 5,664 | 93,103 | 64,052 |
| Long-term Loan | 33,691 | 29,179 | 4,512 | 14,984 | 18,707 |
| Other Liabilities | 718 | 707 | 11 | 613 | 105 |
| Total Liabilities | 191,564 | 181,377 | 10,187 | 108,700 | 82,864 |
| Paid-in Capital | 22,564 | 22,564 | 0 | 22,564 | 0 |
| Capital Surplus | 63,841 | 63,465 | 376 | 63,148 | 693 |
| Retained Earnings | 7,585 | 6,309 | 1,276 | 8,910 | $(1,325)$ |
| Adjusted Items | $(2,039)$ | (735) | $(1,304)$ | $(3,574)$ | 1,535 |
| Treasury Stocks | (19) | (19) | 0 | (9) | (10) |
| Net Equity | 120,044 | 118,197 | 1,847 | 117,658 | 2,386 |
| Total Liabilities and Net Equity | 311,608 | 299,574 | 12,034 | 226,358 | 85,250 |
| Current Ratio | 144\% | 143\% | - | 168\% | - |
| Debt Ratio (TTL Liabilities / TTL Assets) | 61\% | 61\% | - | 48\% | - |
| Interest-bearing Debt Ratio | 19\% | 17\% | - | 11\% | - |

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## Business Highlight

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## DMS Revenue Trend



Revenue in 1Q12 totaled NT\$149Bn, declined slightly by 3.2\% QoQ but grew significantly by 74.2\% YoY. While Computing segment declined in 1Q12 as a result of its seasonality, substantial growth was seen in Communication segment due to improving scale of smartphone. Consumer Electronic also experienced an exceptional quarter owing to the delayed shipment of game consoles from the previous quarter to the first quarter as a result of HDD shortage.

## Revenue Breakdowns by Products (Quarter-over-Quarter)



Due to the seasonality, QoQ sales for Computing segment dropped by $18 \%$, while revenue in Consumer Electronics grew by $2 \%$ QoQ, attributable to the delayed shipment of game consoles from 4 Q 11 to 1Q12. With the increase in smartphone volume and positive growth from broadband products, QoQ sales for Communication segment increased by $46 \%$.

## Revenue Breakdowns by Products (Year-over-Year)



YoY sales grew substantially throughout three product segments. Growth of Computing was attributable to the lower base in 1Q11 and better penetration rate in non Asustek customers, whilst that of Communication was driven by better utilization in smartphone. As a result of game console delayed shipment, Consumer Electronics segment had an exceptional quarter with revenue growth by $131 \%$ YoY.

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## Business Outlook in 2Q12 (QoQ)

- NB shipment (including net book and tablet) to grow by 30\%-35\%
- MB \& DT shipment to decline by $5 \%-10 \%$
- Revenue of consumer electronics to remain flat
- Revenue of communication to grow low single digit
- Capital Expenditure for 2012 (annually):

For DMS: US $\$ 200 \sim 250$ million
For vertical integration: US $\mathbf{1 0 0 \sim 1 5 0}$ million

## Recap of Recent Major Events

■ Pegatron completed the $1^{\text {st }}$ Zero Coupon Euro-Convertible Bonds Offering of US\$300 Million (Feb. 2012)

- Pegatron Board of Directors proposed no cash dividend per share. (Mar. 2012)

■ Pegatron Board of Directors approved to increase investment in Ri-Ming (Shanghai) Co., Limited. (Mar. 2012)

- Pegatron Board of Directors proposed the issuance of restricted shares. (May. 2012)

■ Pegatron Board of Directors approved the adoption of IFRS (International Financial Reporting Standards) by Pegatron and its subsidiaries, and its subsequent impact on financial statements (May. 2012)

- As of Jan 1, 2012, impact to financial statements upon adoption of IFRS is as follows:

Net equity (including non-controlling interests) is expected to reduce by NT $\$ 266$ million, while retained earnings is expected to increase by NT $\$ 2,333$ million. Non-controlling interest is expected to reduce by NT $\$ 77$ million, and other shareholders' equity is expected to reduce by NT $\$ 2,522$ million.

- As of March 31, 2012, impact to financial statements upon adoption of IFRS is as follows:

Net equity (including non-controlling interests) is expected to reduce by NT\$1,733 million, while retained earnings is expected to increase by NT $\$ 1,120$ million. Non-controlling interest is expected to reduce by NT $\$ 58$ million, and other shareholders' equity is expected to reduce by NT $\$ 2,796$ million.
For more details of the above announcement, please visit Market Post Observation System (http:/ /mops.twse.com.tw).

## PEGATRON

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