

PEGATRON

Quarterly Management Report - Third 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	
3Q11	2Q11	3Q10	QoQ	YoY	
156	105	115	49%	35%	

Product Mix			%
	3Q11	2Q11	3Q10
Computing	59%	61%	61%
Consumer	19%	12%	26%
Communication	21%	27%	12%

Highlights of P&L

NT\$Bn;%					
	3Q11	2Q11	3Q10	QoQ	YoY
Gross Profit	3.3	1.7	3.7	91%	-12%
Gross Margin	2.1%	1.6%	3.2%	-	-
Operating Income	-0.7	-2.0	0.2	66%	-447%
Operating Margin	-0.4%	-1.9%	0.2%	-	-
Income Before Tax	0.3	-0.7	1.7	137%	-85%
Net Income	0.4	-0.7	1.4	155%	-75%
Net Margin	0.2%	-0.6%	1.3%	-	-
EPS (NT\$)	0.17	-0.3	0.64	157%	-73%

Highlights of B/S

NT\$Bn;%			
	3Q11	2Q11	3Q10
Cash & Equivalent	21	19	18
AR	68	48	43
Inventory	63	50	40
Current Assets	157	122	105
Investments	39	41	33
Total Assets	230	193	171
AP	87	61	43
Current Liabilities	120	92	68
Total Liabilities	139	107	76
Paid-in Capital	23	23	23
Net Equity	91	86	95
Current Ratio	131%	132%	153%
Debt Ratio (1)	60%	55%	45%
Interest-bearing Debt Ratio(2)	16%	16%	12%

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$156Bn for the quarter ended Sep 30, 2011, a 49% increase from the previous quarter due to better than expected demand from Computing and Communication segments with the seasonal peak from Consumer Electronics segment in the same quarter. On year-over-year basis, the revenue grew by 35% as compared to NT\$115Bn in a-year-ago quarter.

Sales weighting of Consumer Electronics increased by 7% to 19% QoQ as a result of its seasonality. Sales weighting of Computing and Communication products decreased slightly to 59% and 21% in 3Q11 from 61% and 27% respectively in 2Q11. However, driven by smart phone shipment, sales weighting of Communication products increased the most by 9% on a year-over-year basis.

Operating Performance

The Company's gross margin increased by a 0.5 percentage point QoQ to 2.1% in 3Q11, while the operating margin in the same quarter also improved to -0.4% from -1.9% in the previous quarter. The improvement was mainly due to better than expected quarterly revenue and effective control of operating expense in 3Q11. Consequently, net income reached NT\$0.4Bn in 3Q11, increased by NT\$1.1Bn as compared to the previous quarter and the EPS for 3Q11 was NT\$0.17, up by 157% QoQ but down by 73% YoY.

Financial Position

Account receivables and account payable increased to NT\$68Bn and NT\$87Bn in 3Q11 due to higher revenue in the quarter. Inventory also increased to NT\$63Bn, up by NT\$13B from NT\$50Bn as compared to the last quarter.

Liquidity remained positive in 3Q11 with current ratio at 131%, slightly down from the last quarter. By the end of Sep 30, 2011, cash and cash equivalent was NT\$21Bn, increased by NT\$2Bn from NT\$19Bn in 2Q11.

The financial structure as of 3Q11 continued being healthy with debt ratio and interest-bearing debt ratio at 60% and 16% respectively.

4Q11 Business Outlook

On QoQ basis, NB shipment, including netbook PCs and tablet PCs, is expected to decline by 10%~15% in 4Q11, whereas MB/DT is also expected to decline by 15%~20%. Revenue of Consumer Electronic is expected to be flat to mid single digit decline, while that of the Communication segment is expected to decline by 5%~10%.

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.