

PEGATRON

Quarterly Management Report - Fourth 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	
4Q11	3Q11	4Q10	QoQ	YoY	
154	156	106	-1.3%	45%	

Product Mix			%	
	4Q11	3Q11	4Q10	
Computing	65%	60%	61%	
Consumer	13%	19%	25%	
Communication	22%	21%	14%	

Highlights of P&L					NT\$Bn;%	
	4Q11	3Q11	4Q10	QoQ	YoY	
Gross Profit	4.9	3.3	2.3	50%	111%	
Gross Margin	3.2%	2.1%	2.2%	-	-	
Operating Income	0.5	-0.7	-0.8	177%	163%	
Operating Margin	0.3%	-0.4%	-0.8%	-	-	
Income Before Tax	0.9	0.3	1.4	262%	-35%	
Net Income	1.0	0.4	1.3	166%	-24%	
Net Margin	0.6%	0.2%	1.2%	-	-	
EPS (NT\$)	0.43	0.17	0.57	153%	-25%	

Highlights of B/S				NT\$Bn;%	
	4Q11	3Q11	4Q10		
Cash & Equivalent	24	21	23		
AR	70	68	40		
Inventory	52	63	31		
Current Assets	154	157	97		
Investments	39	39	31		
Total Assets	228	230	160		
AP	84	87	41		
Current Liabilities	117	120	62		
Total Liabilities	136	139	69		
Paid-in Capital	23	23	23		
Net Equity	92	91	91		
Current Ratio	132%	131%	157%		
Debt Ratio (1)	60%	60%	43%		
Interest-bearing Debt Ratio(2)	15%	16%	12%		

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$154Bn for the quarter ended Dec 31, 2011, a 1.3% decline from the previous quarter. The decline was attributable to key component shortage resulting from the flooding in Thailand, which led to a sharp decline in the revenue of Consumer Electronics segment in 4Q11. The revenue of Computing and Communication segments, on the contrary, grew by a single digit QoQ. On year-over-year basis, 4Q11 revenue grew by 45% as compared to NT\$106Bn in a-year-ago quarter.

While sales weighting of Consumer Electronics dropped by 6 percentage points QoQ to 13% as a result of component shortage, sales weighting of both Computing and Communication products increased to 65% and 22% in 4Q11 from 60% and 21% respectively in 3Q11. On year-over-year basis, Communication achieved the highest growth driven by smart phone shipment, thus its sales weighting increased to 22% in 4Q11 from 14% in the same quarter last year.

Operating Performance

The Company's gross margin increased by a 1.1 percentage point QoQ to 3.2% in 4Q11, and the operating margin in the same quarter further improved to 0.3% from -0.4% in the previous quarter. The growth was mainly due to the improvement of efficiency and change of product mix, as well as price adjustment that reflected cost increase. Consequently, net income reached NT\$1.0Bn in 4Q11, increased by NT\$0.6Bn as compared to the previous quarter and the EPS for 4Q11 was NT\$0.43, up by 153% QoQ but down by 25% YoY.

Financial Position

Account receivables increased slightly to NT\$70Bn in 4Q11, whilst the account payable dropped slightly to NT\$84Bn from NT\$87Bn in 3Q11. Due to key component consumed in 4Q11 followed by supply shortage, the inventory declined from the high base in 3Q11 to NT\$52Bn in 4Q11, down by NT\$11Bn as compared to the last quarter.

Liquidity remained positive in 4Q11 with current ratio remains at 132%, slightly up from the last quarter. By the end of Dec 31, 2011, cash and cash equivalent was NT\$24Bn, increased by NT\$3Bn from NT\$21Bn in 3Q11.

The financial structure as of 4Q11 continued being healthy with debt ratio and interest-bearing debt ratio at 60% and 15% respectively.

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.