

# PEGATRON

## Quarterly Management Report - Third Quarter, 2012

### 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	
3Q12	2Q12	3Q11	QoQ	YoY	
192	188	156	2.6%	23.3%	

Product Mix				%	
	3Q12	2Q12	3Q11		
Computing	48%	55%	54%		
Consumer Electronics	14%	13%	25%		
Communication	38%	32%	21%		

\* Since 3Q12, tablet business has been moved to Consumer Electronics from Computing segment and historical product mix percentage has been revised accordingly.

### Highlights of P&L

NT\$Bn; %					
	3Q12	2Q12	3Q11	QoQ	YoY
Gross Profit	5.2	5.4	3.3	-4.8%	57%
Gross Margin	2.7%	2.9%	2.1%	-	-
Operating Income	0.2	0.5	-0.7	-68.8%	124%
Operating Margin	0.1%	0.3%	-0.4%	-	-
Income Before Tax	1.5	1.2	0.3	26.7%	495%
Net Income	1.4	0.8	0.4	64.6%	270%
Net Margin	0.7%	0.4%	0.2%	-	-
EPS (NT\$)	0.6	0.36	0.17	66.7%	253%

### Highlights of B/S

NT\$Bn; %				
	3Q12	2Q12	3Q11	
Cash & Equivalent	28	23	21	
AR	95	100	68	
Inventory	79	63	63	
Current Assets	218	201	157	
Investments	38	40	39	
Total Assets	294	277	230	
AP	134	114	87	
Current Liabilities	174	155	120	
Total Liabilities	201	184	139	
Paid-in Capital	23	23	23	
Net Equity	93	93	91	
Current Ratio	125%	129%	131%	
Debt Ratio (1)	68%	66%	60%	
Interest-bearing Debt Ratio(2)	15%	18%	16%	

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

### Sales Result

The Company posted revenue of NT\$192Bn for the quarter ended Sep 30, 2012, a 2.6% increase from the previous quarter due to better than expected demand from Communication segment. On a year-over-year basis, 3Q12 revenue grew by 23.3% as compared to NT\$156Bn in a-year-ago quarter.

Sales weighting of Computing segment declined to 48% in 3Q12 from 55% in 2Q12 as a result of soft end-demand before Windows 8 launch as well as end of production for low cost NB. Benefiting from better than expected demand in Communication segment as well as seasonality effect in Consumer Electronics segment, sales weighting of both product segments increased to 38% and 14% respectively in 3Q12.

### Operating Performance

The Company's gross margin dropped by a 0.2 percentage point QoQ to 2.7% in 3Q12, which was negatively impacted by increasing initial cost associated with project development before mass production. Subsequently, operating income declined to NT\$0.2Bn from NT\$0.5Bn in the previous quarter. However, with the growth of non-operating income resulting from higher investment income, lower FX loss and normalized tax rate, net income improved to NT\$1.4Bn in 3Q12, up by NT\$0.53Bn as compared to the previous quarter. EPS for 3Q12 was NT\$0.6, up by 66.7% QoQ and 253% YoY.

### Financial Position

Accounts receivable dropped slightly to NT\$95Bn, while accounts payable increased by around NT\$20Bn to NT\$134Bn in 3Q12. Inventory also increased to NT\$79Bn from NT\$63Bn in the previous quarter.

Liquidity remained positive in 3Q12 with current ratio at 125%, down from 129% a quarter ago. By the end of Sep 30, 2012, cash and cash equivalent was NT\$28Bn, increased by NT\$5Bn on quarter-over-quarter basis.

The financial structure as of 3Q12 is healthy with debt ratio and interest-bearing debt ratio at 68% and 15% respectively.

### 4Q12 Business Outlook

NB as well as MB/DT shipments are expected to be flat to low single digit growth QoQ. Revenue of Consumer Electronics is expected to more than double, while revenue of Communication segment is expected to decline by 20% to 25% QoQ.

Note: Starting from 3Q2012, tablet business has been moved to Consumer Electronics

### 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).