

PEGATRON

Quarterly Management Report - First 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	
1Q12	4Q11	1Q11	QoQ	YoY	
149	154	86	-3.2%	74.2%	

Product Mix			%	
	1Q12	4Q11	1Q11	
Computing	54%	65%	54%	
Consumer	13%	13%	10%	
Communication	33%	22%	36%	

Highlights of P&L				NT\$Bn;%	
	1Q12	4Q11	1Q11	QoQ	YoY
Gross Profit	4.5	4.9	1.5	-9%	198%
Gross Margin	3.0%	3.2%	1.8%	-	-
Operating Income	0.4	0.5	-2.2	-15%	120%
Operating Margin	0.3%	0.3%	-2.5%	-	-
Income Before Tax	1.4	0.9	-0.4	50%	429%
Net Income	1.3	1.0	-0.6	31%	328%
Net Margin	0.9%	0.6%	-0.7%	-	-
EPS (NT\$)	0.57	0.43	-0.25	33%	328%

Highlights of B/S				NT\$Bn;%	
	1Q12	4Q11	1Q11		
Cash & Equivalent	25	24	15		
AR	67	70	41		
Inventory	61	52	36		
Current Assets	165	154	95		
Investments	39	39	35		
Total Assets	238	228	162		
AP	93	84	44		
Current Liabilities	122	117	63		
Total Liabilities	146	136	71		
Paid-in Capital	23	23	23		
Net Equity	92	92	91		
Current Ratio	135%	132%	152%		
Debt Ratio (1)	61%	60%	44%		
Interest-bearing Debt Ratio(2)	17%	15%	9%		

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$149Bn for the quarter ended Mar 31, 2012, a 3.2% decline from the previous quarter. Despite the decline in Computing segment as a result of its seasonal pattern, revenue of Communication segment grew substantially in 1Q12 benefitting from improving scale of smartphones. Consumer Electronic segment also experienced an exceptional quarter as game console shipment was pushed back to 1Q12 due to HDD shortage in 4Q11. On year-over-year basis, 1Q12 revenue grew by 74.2% as compared to NT\$86Bn in a-year-ago quarter.

Subsequently, sales weighting of Computing products was down to 54% in 1Q12 from 65% in 4Q11, while that of Consumer Electronics remained flattish QoQ. Backed by the positive growth, sales weighting of Communication products increased to 33% in 1Q12 from 22% in 4Q11.

Operating Performance

The Company's gross margin dropped by a 0.2 percentage point QoQ to 3.0% in 1Q12, which was negatively impacted by the seasonality of computing products, while the operating margin in the same quarter remained flat at 0.3%. However, with the substantial growth in non-operating income, net income reached NT\$1.3Bn in 1Q12, grew by NT\$0.3Bn as compared to the previous quarter and the EPS for 1Q12 was NT\$0.57, up by 33% QoQ and by 328% YoY.

Financial Position

Account receivables dropped slightly to NT\$67Bn in 1Q12, whilst the account payable went up to NT\$93Bn from NT\$84Bn in 4Q11. In preparation for new NB model launch, inventory increased from NT\$52Bn in 4Q11 to NT\$61Bn in 1Q12, up by NT\$9Bn.

Liquidity remained positive in 1Q12 with current ratio at 135%, slightly up from the last quarter. By the end of Mar 31, 2012, cash and cash equivalent was NT\$25Bn, increased by NT\$1Bn from NT\$24Bn in 4Q11.

The financial structure as of 1Q12 continued being healthy with debt ratio and interest-bearing debt ratio at 61% and 17% respectively.

2Q12 Business Outlook

NB shipment, including netbook PCs and tablet PCs, is expected to grow by 30%~35% QoQ, whereas MB/DT is expected to grow by 5%~10% QoQ. Revenue of Consumer Electronic is expected to be flattish due to the higher base in 1Q12, while revenue of Communication segment is expected to grow by low single digit QoQ.

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.