

PEGATRON

Quarterly Management Report - Second 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	
2Q12	1Q12	2Q11	QoQ	YoY	
188	149	105	25.8%	79.0%	

Product Mix			%	
	2Q12	1Q12	2Q11	
Computing	58%	54%	61%	
Consumer	10%	13%	12%	
Communication	32%	33%	27%	

Highlights of P&L

Highlights of P&L					NT\$Bn;%	
	2Q12	1Q12	2Q11	QoQ	YoY	
Gross Profit	5.4	4.5	1.7	21%	215%	
Gross Margin	2.9%	3.0%	1.6%	-	-	
Operating Income	0.5	0.4	-2.0	19%	126%	
Operating Margin	0.3%	0.3%	-1.9%	-	-	
Income Before Tax	1.2	1.4	-0.7	-13%	273%	
Net Income	0.8	1.3	-0.7	-36%	223%	
Net Margin	0.4%	0.9%	-0.6%	-	-	
EPS (NT\$)	0.36	0.57	-0.30	-37%	220%	

Highlights of B/S

Highlights of B/S				NT\$Bn;%	
	2Q12	1Q12	2Q11		
Cash & Equivalent	23	25	19		
AR	100	67	48		
Inventory	63	61	50		
Current Assets	201	165	122		
Investments	40	39	41		
Total Assets	277	238	193		
AP	114	93	61		
Current Liabilities	155	122	92		
Total Liabilities	184	146	107		
Paid-in Capital	23	23	23		
Net Equity	93	92	86		
Current Ratio	129%	135%	132%		
Debt Ratio (1)	66%	61%	55%		
Interest-bearing Debt Ratio(2)	18%	17%	16%		

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$188Bn for the quarter ended Jun 30, 2012, a 25.8% increase from the previous quarter due to increase of mainstream NB order and better than expected demand from Communication segment. On year-over-year basis, 2Q12 revenue grew by 79% as compared to NT\$105Bn in a-year-ago quarter.

Sales weighting of Computing products was up to 58% in 2Q12 from 54% in 1Q12 backed by strong revenue growth. Subsequently, the sales weighting of Consumer Electronics and Communication segments lowered to 10% and 32% from 13% and 33% in 1Q12 respectively.

Operating Performance

The Company's gross margin dropped by a 0.1 percentage point QoQ to 2.9% in 2Q12, which was impacted by changes in product mix and increase of labor and overhead cost, as well as cost associated with project development. Operating income increased slightly to NT\$0.5Bn, representing a flattish operating margin at around 0.3% given higher operating expense incurred in 2Q12. With the drop of non-operating income resulting from FX loss as well as higher tax, net income reduced to NT\$0.8Bn in 2Q12, down by NT\$0.45Bn as compared to the previous quarter and the EPS for 2Q12 was NT\$0.36, down by 37% QoQ but up by 220% YoY.

Financial Position

Account receivables and account payables increased by around NT\$33Bn and NT\$21Bn to NT\$100Bn and NT\$114Bn in 2Q12 respectively, reflecting the increase of sales in the quarter. Inventory increased slightly to NT\$63Bn from NT\$61Bn in the previous quarter.

Liquidity remains positive in 2Q12 with current ratio at 129%, down from 135% a quarter ago. By the end of Jun 30, 2012, cash and cash equivalent was NT\$23Bn, decreased by NT\$2Bn as compared to the last quarter.

The financial structure as of 2Q12 is healthy with debt ratio and interest-bearing debt ratio at 66% and 18% respectively.

3Q12 Business Outlook

NB shipment, including regular NB and netbook PCs, is expected to decline by 15%~20% QoQ, whereas MB/DT is expected to be down by 5%~10% QoQ. Revenue of Consumer Electronic is expected to grow 15%~20% QoQ due to its seasonality, while revenue of Communication segment is expected to remain flat.

Note: Starting from 3Q2012, tablet business will be moved to Consumer Electronics segment from Computing segment.

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.