

PEGATRON

Quarterly Management Report - Fourth 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	
4Q12	3Q12	4Q11	QoQ	YoY	
239	192	154	24.1%	55.0%	

Product Mix

	%		
	4Q12	3Q12	4Q11
Computing	39%	48%	63%
Consumer Electronics	33%	14%	15%
Communication	28%	38%	22%

* 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;%				
	4Q12	3Q12	4Q11	QoQ	YoY
Gross Profit	6.8	5.2	4.9	31%	37%
Gross Margin	2.8%	2.7%	3.2%	-	-
Operating Income	0.6	0.2	0.5	298%	26%
Operating Margin	0.3%	0.1%	0.3%	-	-
Income Before Tax	2.9	1.5	0.9	94%	219%
Net Income	2.7	1.4	1.0	96%	172%
Net Margin	1.1%	0.7%	0.6%	-	-
EPS (NT\$)	1.18	0.6	0.43	97%	174%

Highlights of B/S

	NT\$Bn;%		
	4Q12	3Q12	4Q11
Cash & Equivalent	34	28	24
AR	105	95	70
Inventory	80	79	52
Current Assets	242	218	154
Investments	39	38	39
Total Assets	318	294	228
AP	161	134	84
Current Liabilities	201	174	117
Total Liabilities	222	201	136
Paid-in Capital	23	23	23
Net Equity	96	93	92
Current Ratio	121%	125%	132%
Debt Ratio (1)	70%	68%	69%
Interest-bearing Debt Ratio(2)	11%	15%	15%

(1) Total Liabilities / Total Assets

(2) Total Interest-bearing Debt / Total Assets

Sales Result

The Company posted revenue of NT\$239Bn for the quarter ended Dec 31, 2012, a 24.1% increase from the previous quarter due to new product launch and seasonality in Consumer Electronic segment as well as better than expected demand in Communication segment. On a year-over-year basis, 4Q12 revenue grew significantly by 55% as a result of improving product mix.

Sales weighting of Computing segment continued its declining trend to 39% in 4Q12 from 48% in 3Q12 due to sluggish PC demand. Driven by new product ramping and seasonal effect in Consumer Electronic segment, its sales weighting leaped to 33% in 4Q12 from 14% a quarter ago. Coming down from the high base in 3Q12, sales in Communication segment declined by high single digit and consequently its sale weighting reduced to 28% in 4Q12.

Operating Performance

The Company's gross margin improved slightly by a 0.1 percentage point QoQ to 2.8% in 4Q12. The growth was due mainly to improving product portfolio but partially offset by FX fluctuation. With the percentage of operating expense in 4Q12 maintained at around the same level as that of 3Q12, operating income more than tripled to NT\$0.6Bn from NT\$0.2Bn in the previous quarter. Benefiting from the growing non-operating income resulting from higher investment income and significant FX gain, net income improved to NT\$2.7Bn in 4Q12, up by NT\$1.3Bn from a quarter ago. EPS for 4Q12 was NT\$1.18, up by 97% QoQ and 174% YoY.

Financial Position

Due to higher sales in 4Q12, both accounts receivable and account payable increased to NT\$105Bn and NT\$161Bn respectively. Inventory remained flattish at NT\$80Bn, up slightly from NT\$79Bn in the previous quarter.

Liquidity remained positive in 4Q12 with current ratio at 121%, down from 125% a quarter ago. By the end of Dec 31, 2012, cash and cash equivalent was NT\$34Bn, increased by NT\$6Bn on quarter-over-quarter basis.

Financial structure as of 4Q12 is healthy with debt ratio remained stable at around 70%, while the interest-bearing debt ratio reduced to 11% from 15% a quarter ago.

1Q13 Business Outlook

NB and MB/DT shipments are expected to decline by 20%~25% and 30%~35% QoQ respectively. Revenue of Consumer Electronics is expected to be flat to 5% decline QoQ, while revenue of Communication segment is expected to decline by 30% to 35% QoQ.

Note: Starting from 3Q2012, tablet business has been 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.