

PEGATRON



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2014 Second Quarter Business Review

August 11, 2014

- Financial Results
- Business Highlight

- Pegatron's statements of its current expectations are forward looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

2Q2014 Consolidated Financial Result

Consolidated Income Statement

| <i>(NT\$ Mn)</i> | 1H2014 | | 1H2013 | | YoY |
|--|---------------|-------------|---------------|-------------|--------------|
| Net Revenue | 431,089 | 100% | 429,815 | 100% | 0.3% |
| COGS | 406,789 | 94.4% | 408,359 | 95.0% | -0.4% |
| Gross Profit | 24,300 | 5.6% | 21,456 | 5.0% | 13.3% |
| Operating Expense | 13,529 | 3.1% | 13,910 | 3.2% | -2.7% |
| Operating Income (Loss) | 10,771 | 2.5% | 7,546 | 1.8% | 42.7% |
| Net Non-Operating Income (Loss) | (2,637) | -0.6% | 569 | 0.1% | -563.4% |
| FX Gain (Loss) | (750) | -0.2% | 1,111 | 0.3% | -167.5% |
| Others | (1,887) | -0.4% | (542) | -0.1% | -248.2% |
| PBT | 8,134 | 1.9% | 8,115 | 1.9% | 0.2% |
| Tax | (2,164) | 0.5% | (2,149) | 0.5% | 0.7% |
| Net Income | 5,970 | 1.4% | 5,966 | 1.4% | 0.1% |
| Net Income Attributable to the Parent | 4,230 | 1.0% | 3,698 | 0.9% | 14.4% |
| EPS | 1.82 | | 1.62 | | 12.3% |
| Excluding Impact from ECB Valuation | 1H2014 | | 1H2013 | | YoY |
| Valuation Gain (Loss) on ECB | (2,318) | | (985) | | - |
| PBT | 10,452 | | 9,100 | | 14.9% |
| Net Income Attributable to the Parent | 6,548 | | 4,683 | | 39.8% |
| EPS | 2.82 | | 2.05 | | 37.6% |

Consolidated Income Statement

| <i>(NT\$ Mn)</i> | 2Q2014 | | 1Q2014 | | QoQ | 2Q2013 | | YoY |
|--|---------------|-------------|---------------|-------------|---------------|---------------|-------------|-------------|
| Net Revenue | 212,352 | 100% | 218,737 | 100% | -2.9% | 212,227 | 100% | 0.1% |
| COGS | 199,349 | 93.9% | 207,440 | 94.8% | -3.9% | 202,774 | 95.5% | -1.7% |
| Gross Profit | 13,003 | 6.1% | 11,297 | 5.2% | 15.1% | 9,453 | 4.5% | 37.6% |
| Operating Expense | 7,299 | 3.4% | 6,231 | 2.8% | 17.1% | 6,796 | 3.2% | 7.4% |
| Operating Income (Loss) | 5,704 | 2.7% | 5,066 | 2.3% | 12.6% | 2,657 | 1.3% | 114.7% |
| Net Non-Operating Income (Loss) | (2,033) | -1.0% | (604) | -0.3% | -236.6% | 773 | 0.4% | -363.0% |
| FX Gain (Loss) | (494) | -0.2% | (256) | -0.1% | -93.0% | 770 | 0.4% | -164.2% |
| Others | (1,539) | -0.7% | (348) | -0.2% | -342.2% | 3 | 0.0% | -51400.0% |
| PBT | 3,671 | 1.7% | 4,462 | 2.0% | -17.7% | 3,430 | 1.6% | 7.0% |
| Tax | (1,188) | 0.6% | (976) | 0.4% | 21.7% | (917) | 0.4% | 29.6% |
| Net Income | 2,483 | 1.2% | 3,486 | 1.6% | -28.8% | 2,513 | 1.2% | -1.2% |
| Net Income Attributable to the Parent | 1,498 | 0.7% | 2,732 | 1.2% | -45.2% | 1,393 | 0.7% | 7.5% |
| EPS | 0.65 | | 1.18 | | -44.9% | 0.61 | | 6.6% |
| Excluding Impact from ECB Valuation | 2Q2014 | | 1Q2014 | | QoQ | 2Q2013 | | YoY |
| Valuation Gain (Loss) on ECB | (1,732) | | (586) | | - | (339) | | - |
| PBT | 5,403 | | 5,048 | | 7.0% | 3,769 | | 43.4% |
| Net Income Attributable to the Parent | 3,230 | | 3,318 | | -2.7% | 1,732 | | 86.5% |
| EPS | 1.39 | | 1.43 | | -2.8% | 0.76 | | 82.9% |

Consolidated Balance Sheet

| <i>(NT\$ Mn)</i> | 2Q2014 | 1Q2014 | QoQ | 2Q2013 | YoY |
|---|---------|---------|---------|---------|----------|
| Cash and Equivalents | 90,346 | 85,971 | 4,375 | 62,413 | 27,933 |
| AR (Net) | 82,871 | 83,625 | (754) | 81,661 | 1,210 |
| Inventory (Net) | 76,563 | 80,844 | (4,281) | 88,805 | (12,242) |
| Other Current Assets | 28,835 | 25,519 | 3,316 | 26,661 | 2,174 |
| Total Current Assets | 278,615 | 275,959 | 2,656 | 259,540 | 19,075 |
| Investment | 3,075 | 2,858 | 217 | 3,445 | (370) |
| Fixed Assets (Net) | 70,665 | 73,058 | (2,393) | 75,396 | (4,731) |
| Other Assets | 10,768 | 11,589 | (821) | 11,921 | (1,153) |
| Total Non-Current Assets | 84,508 | 87,505 | (2,997) | 90,762 | (6,254) |
| Total Assets | 363,123 | 363,464 | (341) | 350,302 | 12,821 |
| Short-term Borrowings | 25,646 | 24,067 | 1,579 | 34,845 | (9,199) |
| AP | 119,193 | 120,560 | (1,367) | 112,072 | 7,121 |
| Other Current Liabilities | 53,016 | 41,267 | 11,749 | 45,133 | 7,883 |
| Total Current Liabilities | 197,855 | 185,894 | 11,961 | 192,050 | 5,805 |
| Long-term Loans | 17,123 | 20,306 | (3,183) | 19,455 | (2,332) |
| Other Liabilities | 3,715 | 3,703 | 12 | 4,463 | (748) |
| Total Liabilities | 218,693 | 209,903 | 8,790 | 215,968 | 2,725 |
| Paid-in Capital | 23,282 | 23,231 | 51 | 22,891 | 391 |
| Capital Surplus | 65,568 | 65,439 | 129 | 62,511 | 3,057 |
| Retained Earnings | 18,877 | 23,875 | (4,998) | 15,268 | 3,609 |
| Others | (359) | 1,242 | (1,601) | (455) | 96 |
| Treasury Stocks | (6) | (18) | 12 | (19) | 13 |
| Net Equity | 144,430 | 153,561 | (9,131) | 134,334 | 10,096 |
| Total Liabilities and Net Equity | 363,123 | 363,464 | (341) | 350,302 | 12,821 |
| Current Ratio | 141% | 148% | - | 135% | - |
| Debt Ratio (TTL Liabilities / TTL Assets) | 60% | 58% | - | 62% | - |
| Interest-bearing Debt Ratio | 12% | 12% | - | 16% | - |

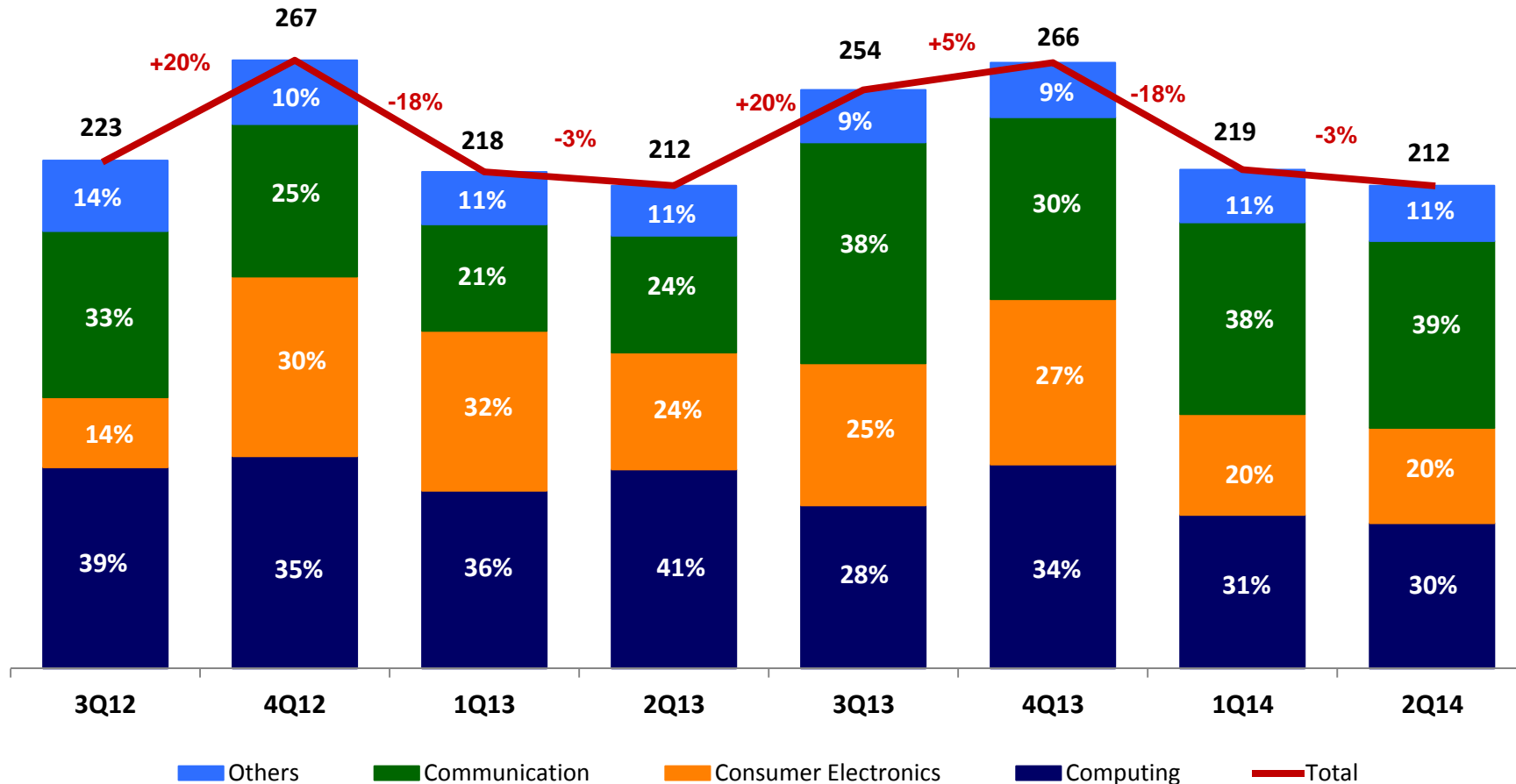
Consolidated Cash Flows Statement

| <i>(NT\$ Mn)</i> | 1H2014 | 1H2013 |
|---------------------------------------|----------|---------|
| Cash Flows from Operating Activities: | 32,455 | 9,074 |
| Cash Flows from Investing Activities: | (2,598) | (6,704) |
| Cash Flows from Financing Activities: | (13,495) | 114 |
| Impact from Changes in FX Rate | (277) | 505 |
| Net Increase in Cash | 16,085 | 2,989 |
| Cash, beginning of the period | 74,261 | 59,424 |
| Cash, end of the period | 90,346 | 62,413 |
| | | |
| <i>Note:</i> | 1H2014 | 1H2013 |
| Depreciation and amortization | 6,933 | 6,961 |

Business Highlight

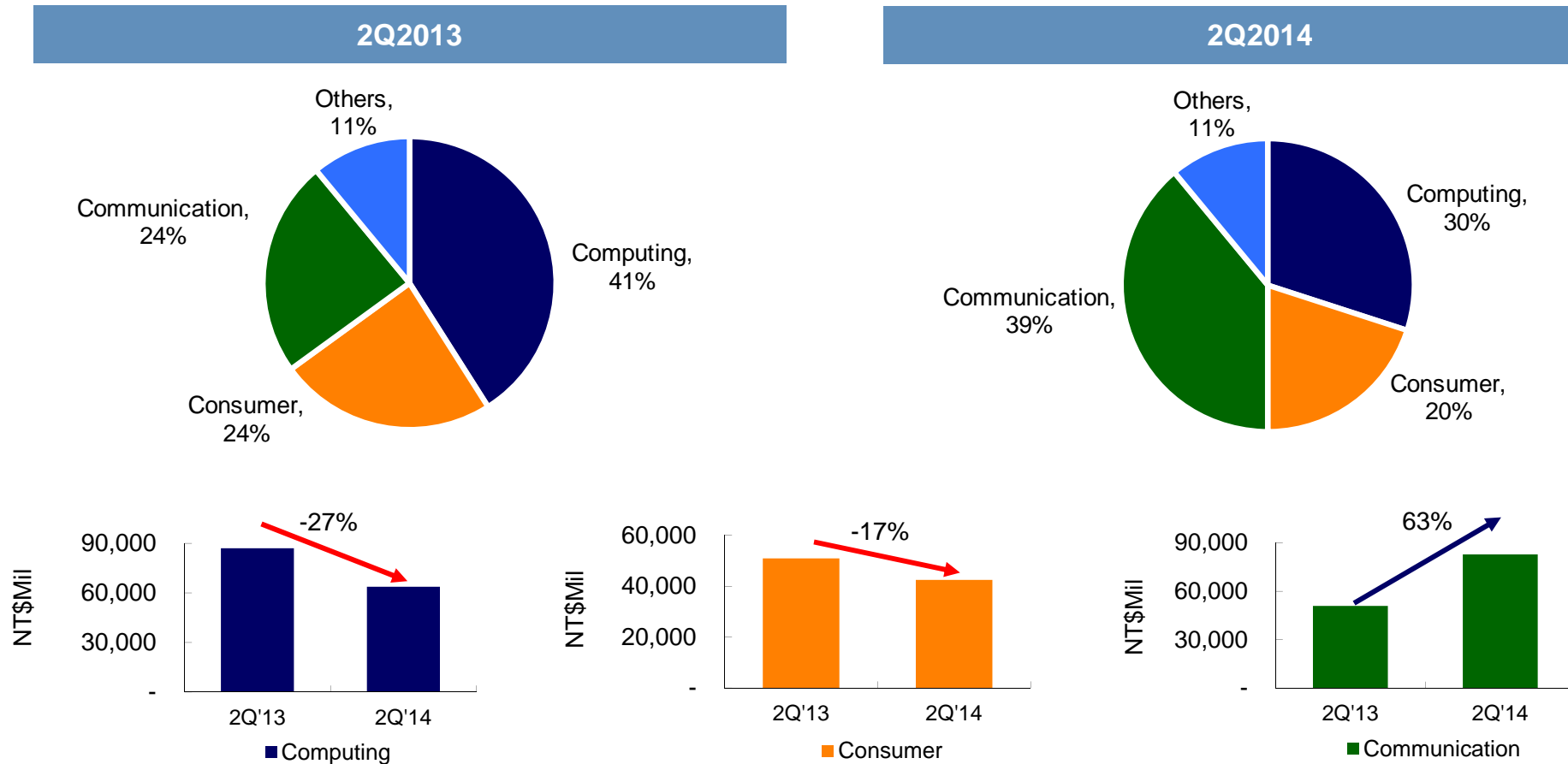
Consolidated Revenue Trend

Unit: NTD Bn



Consolidated revenue in 2Q2014 totaled NT\$212Bn, slightly declined by 3% from NT\$219Bn in the previous quarter. The decline was attributable to lower than expected demand in Computing, while Consumer Electronics and Communication segment remained relatively stable.

Revenue Breakdowns by Products (Year-over-Year)

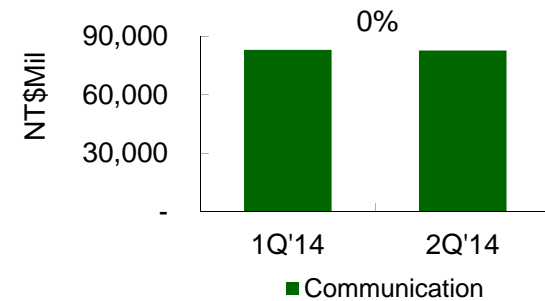
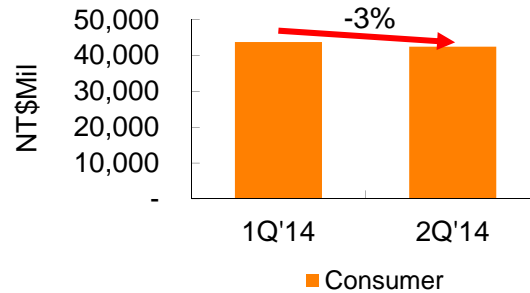
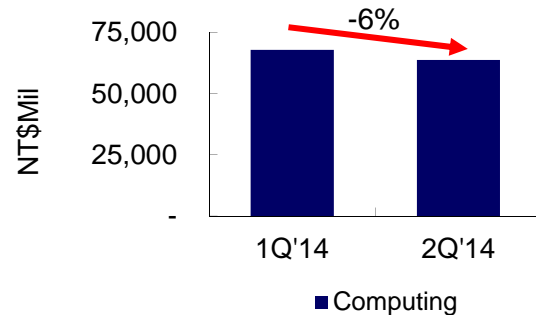
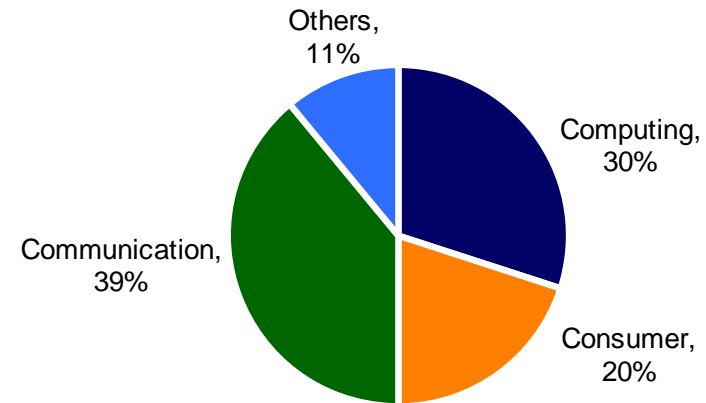
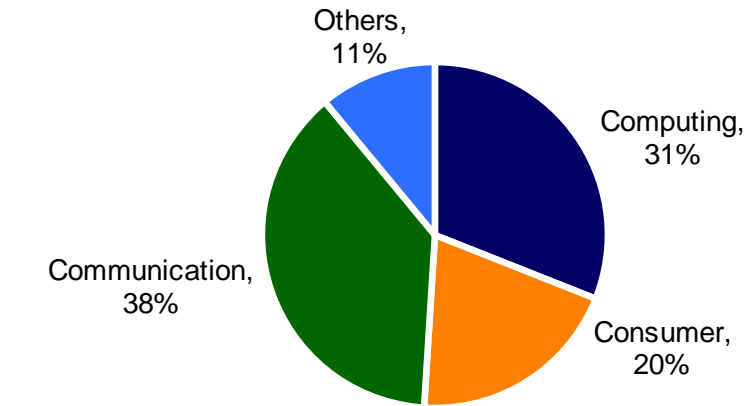


Benefiting from improving scale in Communication segment, revenue from Communication grew by over 60% YoY and revenue contribution increased to 39% from 24% in a-year-ago quarter. Resulting from continuous cannibalization by smart devices, revenue from Computing segment declined by 27% on YoY basis, while that of Consumer Electronics declined by 17% as tablet gradually approaching its maturity.

Revenue Breakdowns (Quarter-over-Quarter)

1Q2014

2Q2014



As a result of seasonal pattern, both Computing and Consumer Electronics segments declined by 6% and 3% respectively on QoQ basis. Due to stable demand, revenue from Communication remained flattish QoQ.

- NB shipment volume to decline by 5%~10%
- MB & DT shipment volume to decline by 0%~5%
- Revenue from non-computing segment to grow by 20%~30%

Q & A