

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

Assets	2012 Amount	%	2011 Amount	%	Liabilities and Stockholders' Equity	2012 Amount	%	2011 Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 18,322,054	6.7	23,223,185	9.8	Short-term loans	\$ 16,571,520	6.1	1,816,500	0.8
Financial assets measured at fair value through profit or loss – current	80,385	-	161,020	-	Notes and accounts payable	83,033,965	30.5	79,842,239	33.7
Notes and accounts receivable, net	141,362,024	51.9	114,932,901	48.5	Notes and accounts payable – related parties	59,600,229	21.9	39,452,910	16.6
Notes and accounts receivable, net – related parties	3,688,623	1.4	4,438,987	1.9	Income tax payable	415,445	0.2	542,892	0.2
Other current financial assets	720,278	0.3	123,807	0.1	Accrued expenses and other current liabilities	4,210,524	1.5	6,171,127	2.6
Inventories, net	28,302,612	10.4	22,040,251	9.3	Accrued product warranty liability	<u>1,659,046</u>	<u>0.6</u>	<u>3,046,469</u>	<u>1.3</u>
Prepayment and other current assets	<u>589,015</u>	<u>0.2</u>	<u>681,853</u>	<u>0.3</u>		165,490,729	60.8	130,872,137	55.2
	<u>193,064,991</u>	<u>70.9</u>	<u>165,602,004</u>	<u>69.9</u>	Other liabilities	<u>223,093</u>	<u>0.1</u>	<u>25,002</u>	<u>-</u>
					Total liabilities	<u>165,713,822</u>	<u>60.9</u>	<u>130,897,139</u>	<u>55.2</u>
Investments:					Stockholders' equity:				
Long-term investment under equity method	65,707,796	24.1	58,592,903	24.7	Common stock	<u>44,126,526</u>	<u>16.2</u>	<u>44,002,554</u>	<u>18.6</u>
Available-for-sale financial assets – non-current	5,607,954	2.1	4,497,669	1.9	Capital surplus:				
Financial assets carried at cost – non-current	3,024,950	1.1	3,031,256	1.3	Paid-in capital in excess of par value	13,815,487	5.1	13,656,502	5.7
Debt investments without quoted price in active markets	1,745,000	0.7	1,680,835	0.7	Other	<u>1,961,205</u>	<u>0.7</u>	<u>1,855,899</u>	<u>0.8</u>
Other non-current financial assets	<u>65,886</u>	<u>-</u>	<u>118,586</u>	<u>0.1</u>		15,776,692	5.8	15,512,401	6.5
	<u>76,151,586</u>	<u>28.0</u>	<u>67,921,249</u>	<u>28.7</u>	Retained earnings:				
					Legal reserve	14,980,079	5.5	13,878,611	5.9
Property, plant and equipment:					Special reserve	8,713,018	3.2	4,825,698	2.0
Land	975,475	0.3	881,578	0.4	Unappropriated retained earnings	<u>32,680,122</u>	<u>12.0</u>	<u>37,435,473</u>	<u>15.8</u>
Buildings	1,811,844	0.7	1,823,311	0.8		<u>56,373,219</u>	<u>20.7</u>	<u>56,139,782</u>	<u>23.7</u>
Research equipment	653,118	0.2	614,850	0.2	Equity adjustment:				
Other equipment	<u>433,969</u>	<u>0.2</u>	<u>399,778</u>	<u>0.2</u>	Foreign currency translation adjustments	(3,134,299)	(1.2)	(1,234,071)	(0.5)
	3,874,406	1.4	3,719,517	1.6	Net loss not recognized as pension cost	(165,627)	(0.1)	-	-
Less: accumulated depreciation	(1,714,078)	(0.6)	(1,541,173)	(0.7)	Unrealized losses on financial instruments	(5,518,799)	(2.0)	(7,478,947)	(3.1)
Prepayment for purchase of equipment	<u>-</u>	<u>-</u>	<u>5,170</u>	<u>-</u>	Treasury stock	<u>(881,247)</u>	<u>(0.3)</u>	<u>(881,247)</u>	<u>(0.4)</u>
	<u>2,160,328</u>	<u>0.8</u>	<u>2,183,514</u>	<u>0.9</u>		<u>(9,699,972)</u>	<u>(3.6)</u>	<u>(9,594,265)</u>	<u>(4.0)</u>
					Total stockholders' equity	106,576,465	39.1	106,060,472	44.8
Intangible assets – patent licenses and others	<u>724,106</u>	<u>0.3</u>	<u>743,568</u>	<u>0.3</u>	Commitments and contingencies	-	-	-	-
Other assets – leased assets, net, and others	<u>189,276</u>	<u>-</u>	<u>507,276</u>	<u>0.2</u>					
Total assets	\$ <u>272,290,287</u>	<u>100.0</u>	<u>236,957,611</u>	<u>100.0</u>	Total liabilities and stockholders' equity	\$ <u>272,290,287</u>	<u>100.0</u>	<u>236,957,611</u>	<u>100.0</u>

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Income

Years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2012		2011	
	Amount	%	Amount	%
Net sales	\$ 607,679,574	100.0	649,477,507	100.0
Cost of sales	<u>591,451,665</u>	<u>97.3</u>	<u>628,904,717</u>	<u>96.8</u>
	16,227,909	2.7	20,572,790	3.2
Change in unrealized inter-company profits	<u>584</u>	<u>-</u>	<u>614</u>	<u>-</u>
Gross profit	<u>16,228,493</u>	<u>2.7</u>	<u>20,573,404</u>	<u>3.2</u>
Operating expenses:				
Selling	3,132,139	0.5	3,647,047	0.6
General and administrative	1,730,498	0.3	2,346,747	0.4
Research and development	<u>6,495,930</u>	<u>1.1</u>	<u>6,820,678</u>	<u>1.0</u>
	<u>11,358,567</u>	<u>1.9</u>	<u>12,814,472</u>	<u>2.0</u>
Operating income	<u>4,869,926</u>	<u>0.8</u>	<u>7,758,932</u>	<u>1.2</u>
Non-operating income and gains:				
Interest income	284,968	-	455,540	0.1
Investment income under the equity method, net	1,572,741	0.3	4,055,268	0.6
Other investment income, net	221,459	-	204,284	-
Gain on valuation of financial instruments, net	-	-	13,061	-
Others	<u>541,240</u>	<u>0.1</u>	<u>449,706</u>	<u>0.1</u>
	<u>2,620,408</u>	<u>0.4</u>	<u>5,177,859</u>	<u>0.8</u>
Non-operating expenses and losses:				
Interest expense	107,983	-	135,535	-
Foreign currency exchange loss, net	161,515	-	608,534	0.1
Impairment loss	2,492	-	90,389	-
Loss on valuation of financial instrument, net	<u>43,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>315,184</u>	<u>-</u>	<u>834,458</u>	<u>0.1</u>
Net income before income tax expense	7,175,150	1.2	12,102,333	1.9
Income tax expense	<u>764,123</u>	<u>0.1</u>	<u>1,087,653</u>	<u>0.2</u>
Net income	<u>\$ 6,411,027</u>	<u>1.1</u>	<u>11,014,680</u>	<u>1.7</u>

	Before income tax	After income tax	Before income tax	After income tax
Basic net income per share	<u>\$ 1.65</u>	<u>1.47</u>	<u>2.78</u>	<u>2.53</u>
Diluted net income per share	<u>\$ 1.62</u>	<u>1.45</u>	<u>2.72</u>	<u>2.48</u>

The pro forma information under the assumption that the Company's outstanding shares held by its subsidiaries are not regarded as treasury stock was as follows:

	2012		2011	
	Before income tax	After income tax	Before income tax	After income tax
Net income	<u>\$ 7,245,160</u>	<u>6,481,037</u>	<u>12,237,840</u>	<u>11,150,187</u>
Basic net income per share	<u>\$ 1.64</u>	<u>1.47</u>	<u>2.78</u>	<u>2.53</u>

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Changes in Stockholders' Equity

Years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Retained earnings Special reserve	Unappropriated	Unrealized losses on financial instruments	Net loss not recognized as pension cost	Foreign currency translation adjustments	Treasury stock	Total
Balance on January 1, 2011	\$ 44,280,998	15,303,594	11,551,432	798,081	45,450,010	(903,090)	-	(2,443,732)	(881,247)	113,156,046
Appropriation of 2010 net income (note 1):										
Special reserve	-	-	-	4,027,617	(4,027,617)	-	-	-	-	-
Legal reserve	-	-	2,327,179	-	(2,327,179)	-	-	-	-	-
Cash dividends	-	-	-	-	(11,905,350)	-	-	-	-	(11,905,350)
Adjustment for changes in investee company's stockholders' equity	-	3,047	-	-	(14,398)	-	-	-	-	(11,351)
Issuance of stock for employee stock options exercised	142,446	200,556	-	-	-	-	-	-	-	343,002
Cash dividends paid to subsidiaries holding the Company's shares	-	135,507	-	-	-	-	-	-	-	135,507
Net income for the year ended December 31, 2011	-	-	-	-	11,014,680	-	-	-	-	11,014,680
Purchase and retirement of treasury stock	(420,890)	(130,303)	-	-	(754,673)	-	-	-	-	(1,305,866)
Foreign currency translation adjustment	-	-	-	-	-	-	-	1,209,661	-	1,209,661
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(6,575,857)	-	-	-	(6,575,857)
Balance on December 31, 2011	<u>44,002,554</u>	<u>15,512,401</u>	<u>13,878,611</u>	<u>4,825,698</u>	<u>37,435,473</u>	<u>(7,478,947)</u>	<u>-</u>	<u>(1,234,071)</u>	<u>(881,247)</u>	<u>106,060,472</u>
Appropriation of 2011 net income (note 2)										
Special reserve	-	-	-	3,887,320	(3,887,320)	-	-	-	-	-
Legal reserve	-	-	1,101,468	-	(1,101,468)	-	-	-	-	-
Cash dividends	-	-	-	-	(6,175,351)	-	-	-	-	(6,175,351)
Adjustment for changes in investee company's stockholders' equity	-	35,296	-	-	(2,239)	-	-	-	-	33,057
Issuance of stock for employee stock options exercised	123,972	158,985	-	-	-	-	-	-	-	282,957
Cash dividends paid to subsidiaries holding the Company's shares	-	70,010	-	-	-	-	-	-	-	70,010
Net income for the year ended December 31, 2012	-	-	-	-	6,411,027	-	-	-	-	6,411,027
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,900,228)	-	(1,900,228)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	1,960,148	-	-	-	1,960,148
Adjustment for net loss not recognized as pension cost	-	-	-	-	-	-	(165,627)	-	-	(165,627)
Balance on December 31, 2012	<u>\$ 44,126,526</u>	<u>15,776,692</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>32,680,122</u>	<u>(5,518,799)</u>	<u>(165,627)</u>	<u>(3,134,299)</u>	<u>(881,247)</u>	<u>106,576,465</u>

Note 1: Directors' and supervisors' remuneration amounting to \$130,000 and employee bonuses amounting to \$1,870,000 were recognized in the 2010 statement of income.

Note 2: Directors' and supervisors' remuneration amounting to \$97,500 and employee bonuses amounting to \$1,402,500 were recognized in the 2011 statement of income.

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 6,411,027	11,014,680
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	578,164	629,454
Decrease in allowance for doubtful accounts, allowance for sales returns and discounts, and inventory obsolescence provision	(330,634)	(541,486)
Gain on disposal of investments	(72,214)	(30,522)
Impairment losses on financial assets carried at cost	2,492	90,389
Cash dividends received from long-term equity investments	176,699	724,715
Investment income under the equity method, net	(1,572,741)	(4,055,268)
Decrease (increase) in notes and accounts receivable	(25,353,178)	49,582,361
Decrease (increase) in inventories	(6,257,308)	4,342,366
Decrease (increase) in prepayment, other current assets, and other current financial assets	(134,809)	304,088
Increase (decrease) in notes and accounts payable	23,339,045	(30,156,236)
Decrease in accrued expenses, other current liabilities, and accrued product warranty liability	(3,168,406)	(1,127,062)
Decrease in income tax payable	(127,447)	(2,001,170)
Change in net deferred income tax assets	218,628	138,873
Decrease (increase) in financial assets measured at fair value through profit or loss – current	80,635	(51,020)
Others	<u>(19,085)</u>	<u>(178,344)</u>
Net cash provided by (used in) operating activities	<u>(6,229,132)</u>	<u>28,685,818</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(76,860)	(199,313)
Increase in intangible assets	(541,551)	(281,021)
Acquisition of long-term equity investments, available-for-sale financial assets and financial assets carried at cost	(7,138,830)	(4,763,808)
Capital refund from investees and distribution from investees after completion of liquidation	71,744	538,856
Proceeds from sale of investments	639,676	134,208
Increase in other receivables – related parties	(491,230)	(4,195)
Others	<u>2,439</u>	<u>(23,460)</u>
Net cash used in investing activities	<u>(7,534,612)</u>	<u>(4,598,733)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	14,755,020	(22,827,480)
Cash dividends paid	(6,175,351)	(11,905,350)
Proceeds from issuance of stock for employee stock options exercised	282,957	343,002
Purchase of treasury stock	-	(1,305,866)
Others	<u>(13)</u>	<u>132</u>
Net cash provided by (used in) financing activities	<u>8,862,613</u>	<u>(35,695,562)</u>
Net decrease in cash and cash equivalents	(4,901,131)	(11,608,477)
Cash and cash equivalents at beginning of period	<u>23,223,185</u>	<u>34,831,662</u>
Cash and cash equivalents at end of period	<u>\$ 18,322,054</u>	<u>23,223,185</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>106,152</u>	<u>145,599</u>
Income taxes	\$ <u>672,941</u>	<u>2,949,949</u>

See accompanying notes to financial statements.