

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

June 30, 2012 and 2011

(expressed in thousands of New Taiwan dollars)

Assets	2012		2011		Liabilities and Stockholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	\$ 43,333,595	15.2	73,701,906	23.1	Short-term loans	\$ 11,271,146	3.9	45,539,589	14.2
Financial assets measured at fair value through profit or loss – current	118,169	-	168,935	0.1	Notes and accounts payable	136,041,012	47.7	133,640,326	41.8
Available-for-sale financial assets – current	130,466	-	132,516	-	Notes and accounts payable – related parties	2,062,447	0.7	1,356,185	0.4
Notes and accounts receivable, net	144,535,130	50.6	153,769,921	48.1	Income tax payable	903,123	0.3	1,251,013	0.4
Notes and accounts receivable, net – related parties	77,201	-	14,981	-	Accrued expenses and other current liabilities	13,442,698	4.7	12,027,873	3.8
Other current financial assets	851,918	0.3	1,966,408	0.6	Dividends payable	6,239,896	2.2	12,008,994	3.8
Inventories, net	50,080,385	17.6	46,103,996	14.4	Accrued product warranty liability	2,730,456	1.0	3,245,800	1.0
Prepayment and other current assets	1,406,330	0.5	1,578,517	0.5	Long-term loans due within one year	50,000	-	94,500	-
Deferred income tax assets – current	442,558	0.2	577,672	0.2		<u>172,740,778</u>	<u>60.5</u>	<u>209,164,280</u>	<u>65.4</u>
	<u>240,975,752</u>	<u>84.4</u>	<u>278,014,852</u>	<u>87.0</u>	<b>Long-term and other liabilities:</b>				
<b>Investments:</b>					Long-term loans	495,000	0.2	66,000	-
Long-term investment under equity method	9,487,009	3.3	6,512,822	2.0	Other liabilities	357,670	0.1	230,778	0.1
Available-for-sale financial assets – non-current	5,777,282	2.0	7,654,887	2.4		<u>852,670</u>	<u>0.3</u>	<u>296,778</u>	<u>0.1</u>
Financial assets carried at cost – non-current	8,461,710	3.0	8,529,329	2.7	<b>Total liabilities</b>	<u>173,593,448</u>	<u>60.8</u>	<u>209,461,058</u>	<u>65.5</u>
Debt investments without quoted price in active markets	1,733,626	0.6	1,630,416	0.5	<b>Stockholders' equity:</b>				
Other non-current financial assets	128,084	0.1	103,961	-	Common stock	44,112,169	15.4	44,359,712	13.9
	<u>25,587,711</u>	<u>9.0</u>	<u>24,431,415</u>	<u>7.6</u>	Capital surplus:				
<b>Property, plant and equipment:</b>					Paid-in capital in excess of par value	13,797,905	4.8	13,703,533	4.3
Land and land leasehold rights	2,375,798	0.8	1,915,411	0.6	Other	1,947,589	0.7	1,852,066	0.6
Buildings	9,422,225	3.3	7,775,619	2.4		<u>15,745,494</u>	<u>5.5</u>	<u>15,555,599</u>	<u>4.9</u>
Machinery and equipment	14,394,467	5.0	12,771,760	4.0	Retained earnings:				
Research equipment	1,435,680	0.5	1,613,868	0.5	Legal reserve	14,980,079	5.2	13,878,611	4.4
Molding equipment	1,572,049	0.6	1,261,993	0.4	Special reserve	8,713,018	3.1	4,825,698	1.5
Other equipment	4,218,815	1.5	3,533,204	1.1	Unappropriated retained earnings	29,704,188	10.4	33,966,509	10.6
	33,419,034	11.7	28,871,855	9.0		<u>53,397,285</u>	<u>18.7</u>	<u>52,670,818</u>	<u>16.5</u>
Less: accumulated depreciation	(18,678,912)	(6.5)	(15,821,377)	(4.9)	Equity adjustment:				
Unfinished construction and prepayment for purchase of equipment	2,432,782	0.8	1,969,195	0.6	Foreign currency translation adjustments	(1,939,099)	(0.7)	(2,752,858)	(0.9)
	<u>17,172,904</u>	<u>6.0</u>	<u>15,019,673</u>	<u>4.7</u>	Unrealized losses on financial instruments	(6,849,014)	(2.4)	(4,909,742)	(1.5)
<b>Intangible assets:</b>					Treasury stock	(881,247)	(0.3)	(2,187,113)	(0.7)
Goodwill	561,587	0.2	561,587	0.2		<u>(9,669,360)</u>	<u>(3.4)</u>	<u>(9,849,713)</u>	<u>(3.1)</u>
Patent licenses and others	895,436	0.3	1,073,306	0.3	Minority interest	8,453,320	3.0	7,520,830	2.3
	1,457,023	0.5	1,634,893	0.5	<b>Total stockholders' equity</b>	112,038,908	39.2	110,257,246	34.5
<b>Other assets – refundable deposits and others</b>	438,966	0.1	617,471	0.2	<b>Commitments and contingencies</b>				
<b>Total assets</b>	<b>\$ 285,632,356</b>	<b>100.0</b>	<b>319,718,304</b>	<b>100.0</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$ 285,632,356</b>	<b>100.0</b>	<b>319,718,304</b>	<b>100.0</b>

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Income (Unaudited)**

**For the six-month periods ended June 30, 2012 and 2011**  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	<b>2012</b>		<b>2011</b>	
	Amount	%	Amount	%
<b>Net sales</b>	\$ 326,186,238	100.0	347,439,549	100.0
<b>Cost of sales</b>	<u>311,163,348</u>	<u>95.4</u>	<u>330,458,085</u>	<u>95.1</u>
<b>Gross profit</b>	<u>15,022,890</u>	<u>4.6</u>	<u>16,981,464</u>	<u>4.9</u>
<b>Operating expenses:</b>				
Selling	2,255,296	0.7	2,367,863	0.7
General and administrative	2,032,918	0.6	2,211,895	0.7
Research and development	<u>5,343,272</u>	<u>1.6</u>	<u>4,955,637</u>	<u>1.4</u>
	<u>9,631,486</u>	<u>2.9</u>	<u>9,535,395</u>	<u>2.8</u>
<b>Operating income</b>	<u>5,391,404</u>	<u>1.7</u>	<u>7,446,069</u>	<u>2.1</u>
<b>Non-operating income and gains:</b>				
Interest income	471,289	0.1	442,493	0.1
Other investment income, net	168,887	0.1	228,994	0.1
Foreign currency exchange gain, net	-	-	483,517	0.2
Gain on valuation of financial instruments, net	61,290	-	-	-
Others	<u>586,577</u>	<u>0.2</u>	<u>560,729</u>	<u>0.2</u>
	<u>1,288,043</u>	<u>0.4</u>	<u>1,715,733</u>	<u>0.6</u>
<b>Non-operating expenses and losses:</b>				
Interest expense	223,719	0.1	197,936	0.1
Investment loss under the equity method, net	908,225	0.3	619,811	0.2
Foreign currency exchange loss, net	378,893	0.1	-	-
Impairment losses	2,492	-	74,086	-
Loss on valuation of financial instruments, net	-	-	74,248	-
Others	<u>5,771</u>	<u>-</u>	<u>14,341</u>	<u>-</u>
	<u>1,519,100</u>	<u>0.5</u>	<u>980,422</u>	<u>0.3</u>
<b>Net income before income tax expense</b>	5,160,347	1.6	8,181,380	2.4
Income tax expense	<u>1,186,170</u>	<u>0.4</u>	<u>1,599,888</u>	<u>0.5</u>
<b>Consolidated net income</b>	<u>\$ 3,974,177</u>	<u>1.2</u>	<u>6,581,492</u>	<u>1.9</u>
<b>Distributed to:</b>				
Parent company's shareholders	\$ 3,439,908	1.1	6,777,327	2.0
Minority interest in net income (loss) of subsidiaries	<u>534,269</u>	<u>0.1</u>	<u>(195,835)</u>	<u>(0.1)</u>
	<u>\$ 3,974,177</u>	<u>1.2</u>	<u>6,581,492</u>	<u>1.9</u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
<b>Basic net income per share</b>	<u>\$ 1.06</u>	<u>0.79</u>	<u>1.92</u>	<u>1.55</u>
<b>Diluted net income per share</b>	<u>\$ 1.04</u>	<u>0.78</u>	<u>1.87</u>	<u>1.52</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the six-month periods ended June 30, 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	Foreign currency translation adjustments	Treasury stock	Minority interest	Total
<b>Balance on January 1, 2011</b>	\$ 44,280,998	15,303,594	11,551,432	798,081	45,450,010	(903,090)	(2,443,732)	(881,247)	7,978,387	121,134,433
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)
Purchase of treasury stock	-	-	-	-	-	-	-	(1,305,866)	-	(1,305,866)
Adjustment for changes in investee company's stockholders' equity	-	(325)	-	-	(682)	-	-	-	-	(1,007)
Issuance of stock for employee stock options exercised	78,714	117,283	-	-	-	-	-	-	-	195,997
Cash dividends paid to subsidiaries holding the Company's shares	-	135,047	-	-	-	-	-	-	-	135,047
Consolidated net income for the six-month period ended June 30, 2011	-	-	-	-	6,777,327	-	-	-	-	6,777,327
Foreign currency translation adjustment	-	-	-	-	-	-	(309,126)	-	-	(309,126)
Adjustment for unrealized losses on financial instruments	-	-	-	-	-	(4,006,652)	-	-	-	(4,006,652)
Minority interest in net losses of subsidiaries	-	-	-	-	-	-	-	-	(195,835)	(195,835)
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(261,722)	(261,722)
<b>Balance on June 30, 2011</b>	<b>\$ 44,359,712</b>	<b>15,555,599</b>	<b>13,878,611</b>	<b>4,825,698</b>	<b>33,966,509</b>	<b>(4,909,742)</b>	<b>(2,752,858)</b>	<b>(2,187,113)</b>	<b>7,520,830</b>	<b>110,257,246</b>
<b>Balance on January 1, 2012</b>	44,002,554	15,512,401	13,878,611	4,825,698	37,435,473	(7,478,947)	(1,234,071)	(881,247)	8,037,128	114,097,600
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	-	21,666	-	-	(7,054)	-	-	-	-	14,612
Issuance of stock for employee stock options exercised	109,615	141,403	-	-	-	-	-	-	-	251,018
Cash dividends paid to subsidiaries holding the Company's shares	-	70,024	-	-	-	-	-	-	-	70,024
Consolidated net income for the six-month period ended June 30, 2012	-	-	-	-	3,439,908	-	-	-	-	3,439,908
Foreign currency translation adjustment	-	-	-	-	-	-	(705,028)	-	-	(705,028)
Adjustment for unrealized gains on financial instruments	-	-	-	-	-	629,933	-	-	-	629,933
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	534,269	534,269
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	(118,077)	(118,077)
<b>Balance on June 30, 2012</b>	<b>\$ 44,112,169</b>	<b>15,745,494</b>	<b>14,980,079</b>	<b>8,713,018</b>	<b>29,704,188</b>	<b>(6,849,014)</b>	<b>(1,939,099)</b>	<b>(881,247)</b>	<b>8,453,320</b>	<b>112,038,908</b>

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.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows (Unaudited)**

**For the six-month periods ended June 30, 2012 and 2011**  
(expressed in thousands of New Taiwan dollars)

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income	\$ 3,974,177	6,581,492
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	2,326,454	2,737,125
Decrease in allowance for doubtful account, sales returns and allowances, and inventory obsolescence provision	(215,926)	(565,535)
Impairment losses of financial assets carried at cost	2,492	74,086
Investment loss under the equity method, net	908,225	619,811
Gains on disposal of investments	(356)	(20,398)
Gains on disposal of property, plant, and equipment, net	(65,849)	(2,902)
Decrease (increase) in notes and accounts receivable	(10,564,052)	20,976,994
Increase in inventories	(3,064,917)	(533,336)
Increase in prepayment, other current assets, and other current financial assets	(346,936)	(1,127,167)
Increase (decrease) in notes and accounts payable	5,331,370	(17,112,714)
Increase (decrease) in accrued expenses, other current liabilities, and accrued product warranty liability	584,022	(1,488,294)
Decrease in income tax payable	(289,819)	(2,346,544)
Changes in net deferred income tax assets	164,822	137,804
Decrease (increase) in financial assets measured at fair value through profit or loss – current	67,380	(40,844)
Others	<u>(55,042)</u>	<u>(61,731)</u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>(1,243,955)</b></u>	<u><b>7,827,847</b></u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(2,588,164)	(2,778,164)
Increase in patent licenses and other intangible assets	(407,212)	(459,049)
Proceeds from sale of property, plant and equipment	309,117	73,794
Acquisition of long-term equity investments and financial assets carried at cost	(1,982,443)	(279,883)
Capital refund from investee and distribution from investee after completion of liquidation	16,425	299,236
Proceeds from sale of investments	7,956	84,916
Others	<u>(16,092)</u>	<u>(68,408)</u>
<b>Net cash used in investing activities</b>	<u><b>(4,660,413)</b></u>	<u><b>(3,127,558)</b></u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(3,636,231)	6,564,237
Proceeds from issuance of stock for employee stock options exercised	251,018	195,997
Purchase of treasury stock	-	(1,305,866)
Increase in long-term loans	495,000	-
Repayment of long-term loans	(57,000)	(41,000)
Changes in minority interests	26,460	(13,390)
Others	<u>26,047</u>	<u>(22,476)</u>
<b>Net cash provided by (used in) financing activities</b>	<u><b>(2,894,706)</b></u>	<u><b>5,377,502</b></u>
Effects of exchange rate change on cash and cash equivalents	<u>(215,633)</u>	49,538
<b>Net increase (decrease) in cash and cash equivalents</b>	<u><b>(9,014,707)</b></u>	<u><b>10,127,329</b></u>
<b>Cash and cash equivalents at beginning of period</b>	<u><b>52,348,302</b></u>	<u><b>63,574,577</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 43,333,595</b></u>	<u><b>73,701,906</b></u>
<b>Supplementary disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ <u><u>199,067</u></u>	<u><u>201,897</u></u>
Income taxes	\$ <u><u>1,015,953</u></u>	<u><u>3,658,810</u></u>
<b>Supplementary disclosures of financing activities not affecting cash flows:</b>		
Cash dividends payable	\$ <u><u>6,175,351</u></u>	<u><u>11,905,350</u></u>
Long-term loans due within one year	\$ <u><u>50,000</u></u>	<u><u>94,500</u></u>