

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011

(expressed in thousands of New Taiwan dollars)

Assets	2012		2011		Liabilities and Stockholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 44,154,582	14.3	52,348,302	18.8	Short-term loans	\$ 36,533,793	11.8	14,907,377	5.4
Financial assets measured at fair value through profit or loss – current	81,386	-	185,549	0.1	Notes and accounts payable	136,095,500	44.0	130,494,478	46.8
Available-for-sale financial assets – current	109,792	-	97,092	-	Notes and accounts payable – related parties	2,958,167	1.0	2,277,611	0.8
Notes and accounts receivable, net	157,808,521	51.0	133,915,695	48.0	Income tax payable	1,064,261	0.3	1,192,942	0.4
Notes and accounts receivable, net – related parties	1,285,357	0.4	19,443	-	Accrued expenses and other current liabilities	14,370,407	4.7	12,462,125	4.5
Other current financial assets	772,840	0.3	474,562	0.2	Accrued product warranty liability	1,840,117	0.6	3,111,020	1.1
Inventories, net	51,707,468	16.7	46,912,683	16.8	Long-term loans due within one year	47,383	-	82,000	-
Prepayment and other current assets	1,480,342	0.5	1,428,395	0.5		<u>192,909,628</u>	<u>62.4</u>	<u>164,527,553</u>	<u>59.0</u>
Deferred income tax assets – current	451,879	0.2	681,543	0.3	Long-term and other liabilities:				
	<u>257,852,167</u>	<u>83.4</u>	<u>236,063,264</u>	<u>84.7</u>	Long-term loans	550,604	0.2	25,000	-
Investments:					Other liabilities	454,733	0.1	196,146	-
Long-term investment under equity method	11,342,294	3.7	8,525,991	3.1		<u>1,005,337</u>	<u>0.3</u>	<u>221,146</u>	<u>-</u>
Available-for-sale financial assets – non-current	6,490,455	2.1	5,165,668	1.9	Total liabilities	<u>193,914,965</u>	<u>62.7</u>	<u>164,748,699</u>	<u>59.0</u>
Financial assets carried at cost – non-current	8,400,571	2.7	8,417,269	3.0	Stockholders' equity:				
Debt investments without quoted price in active markets	1,745,000	0.6	1,680,835	0.6	Common stock	44,126,526	14.3	44,002,554	15.8
Other non-current financial assets	65,886	-	118,586	-	Capital surplus:				
	<u>28,044,206</u>	<u>9.1</u>	<u>23,908,349</u>	<u>8.6</u>	Paid-in capital in excess of par value	13,815,487	4.5	13,656,502	4.9
Property, plant and equipment:					Other	1,961,205	0.6	1,855,899	0.7
Land and land leasehold rights	2,321,773	0.8	2,434,020	0.9		<u>15,776,692</u>	<u>5.1</u>	<u>15,512,401</u>	<u>5.6</u>
Buildings	11,850,192	3.8	9,265,166	3.3	Retained earnings:				
Machinery and equipment	15,118,030	4.9	14,085,611	5.1	Legal reserve	14,980,079	4.8	13,878,611	5.0
Research equipment	1,471,906	0.5	1,382,980	0.5	Special reserve	8,713,018	2.8	4,825,698	1.7
Molding equipment	1,979,186	0.6	1,707,031	0.6	Unappropriated retained earnings	32,680,122	10.6	37,435,473	13.4
Other equipment	4,400,897	1.4	3,960,848	1.4		<u>56,373,219</u>	<u>18.2</u>	<u>56,139,782</u>	<u>20.1</u>
	37,141,984	12.0	32,835,656	11.8	Equity adjustment:				
Less: accumulated depreciation	(19,713,768)	(6.4)	(17,978,543)	(6.5)	Foreign currency translation adjustments	(3,134,299)	(1.0)	(1,234,071)	(0.4)
Unfinished construction and prepayment for purchase of equipment	3,958,296	1.3	2,094,070	0.8	Net loss not recognized as pension cost	(165,627)	-	-	-
	<u>21,386,512</u>	<u>6.9</u>	<u>16,951,183</u>	<u>6.1</u>	Unrealized losses on financial instruments	(5,518,799)	(1.8)	(7,478,947)	(2.7)
Intangible assets:					Treasury stock	(881,247)	(0.3)	(881,247)	(0.3)
Goodwill	561,587	0.2	561,587	0.2		<u>(9,699,972)</u>	<u>(3.1)</u>	<u>(9,594,265)</u>	<u>(3.4)</u>
Patent licenses and others	982,038	0.3	971,242	0.3	Minority interest	8,792,082	2.8	8,037,128	2.9
	1,543,625	0.5	1,532,829	0.5	Total stockholders' equity	115,368,547	37.3	114,097,600	41.0
Other assets – refundable deposits and others	457,002	0.1	390,674	0.1	Commitments and contingencies				
Total assets	\$ 309,283,512	100.0	278,846,299	100.0	Total liabilities and stockholders' equity	\$ 309,283,512	100.0	278,846,299	100.0

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the 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	\$ 682,891,359	100.0	693,126,573	100.0
Cost of sales	<u>653,079,262</u>	<u>95.6</u>	<u>659,539,208</u>	<u>95.2</u>
Gross profit	<u>29,812,097</u>	<u>4.4</u>	<u>33,587,365</u>	<u>4.8</u>
Operating expenses:				
Selling	4,585,470	0.7	5,001,369	0.7
General and administrative	4,114,187	0.6	4,533,242	0.7
Research and development	<u>11,044,506</u>	<u>1.6</u>	<u>10,591,073</u>	<u>1.5</u>
	<u>19,744,163</u>	<u>2.9</u>	<u>20,125,684</u>	<u>2.9</u>
Operating income	<u>10,067,934</u>	<u>1.5</u>	<u>13,461,681</u>	<u>1.9</u>
Non-operating income and gains:				
Interest income	756,726	0.1	1,100,439	0.2
Other investment income, net	264,628	-	258,951	-
Gain on valuation of financial instruments, net	-	-	12,939	-
Others	<u>1,240,572</u>	<u>0.2</u>	<u>1,324,264</u>	<u>0.2</u>
	<u>2,261,926</u>	<u>0.3</u>	<u>2,696,593</u>	<u>0.4</u>
Non-operating expenses and losses:				
Interest expense	410,763	0.1	458,866	0.1
Investment loss under the equity method, net	1,746,495	0.2	1,389,899	0.2
Foreign currency exchange loss, net	601,296	0.1	927,229	0.1
Impairment losses	2,492	-	90,389	-
Loss on valuation of financial instruments, net	51,989	-	-	-
Others	<u>77,418</u>	<u>-</u>	<u>67,620</u>	<u>-</u>
	<u>2,890,453</u>	<u>0.4</u>	<u>2,934,003</u>	<u>0.4</u>
Net income before income tax expense	9,439,407	1.4	13,224,271	1.9
Income tax expense	<u>2,183,922</u>	<u>0.3</u>	<u>2,127,965</u>	<u>0.3</u>
Net income	<u>\$ 7,255,485</u>	<u>1.1</u>	<u>11,096,306</u>	<u>1.6</u>
Distributed to:				
Parent company's shareholders	\$ 6,411,027	1.0	11,014,680	1.6
Minority interest in net income of subsidiaries	<u>844,458</u>	<u>0.1</u>	<u>81,626</u>	<u>-</u>
	<u>\$ 7,255,485</u>	<u>1.1</u>	<u>11,096,306</u>	<u>1.6</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic net income per share	<u>\$ 1.97</u>	<u>1.47</u>	<u>3.02</u>	<u>2.53</u>
Diluted net income per share	<u>\$ 1.94</u>	<u>1.45</u>	<u>2.95</u>	<u>2.48</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the 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	Minority interest	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)	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)
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 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)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	-	81,626	81,626
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(22,885)	(22,885)
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>8,037,128</u>	<u>114,097,600</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 gains on financial instruments	-	-	-	-	-	1,960,148	-	-	-	-	1,960,148
Adjustment for net loss not recognized as pension cost	-	-	-	-	-	-	(165,627)	-	-	-	(165,627)
Minority interest in net income of subsidiaries	-	-	-	-	-	-	-	-	-	844,458	844,458
Adjustment for changes in minority interest	-	-	-	-	-	-	-	-	-	(89,504)	(89,504)
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>8,792,082</u>	<u>115,368,547</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.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 7,255,485	11,096,306
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	5,647,973	5,363,494
Decrease in allowance for doubtful account, allowances for sales returns and discounts, and inventory obsolescence provision	(108,254)	(671,771)
Impairment losses of financial assets carried at cost	2,492	90,389
Cash dividends received from long-term equity investments	3,217	268,380
Investment loss under the equity method, net	1,746,495	1,389,899
Gains on disposal of investments	(72,214)	(30,565)
Loss (gains) on disposal of property, plant, and equipment, net	(217,630)	7,401
Decrease (increase) in notes and accounts receivable	(24,894,683)	41,801,589
Increase in inventories	(4,885,015)	(862,287)
Decrease (increase) in prepayment, other current assets, and other current financial assets	(228,186)	408,544
Decrease (increase) in notes and accounts payable	6,273,366	(20,327,816)
Decrease in accrued expenses, other current liabilities, and accrued product warranty liability	(2,347,220)	(1,713,918)
Decrease in income tax payable	(131,753)	(2,416,207)
Changes in net deferred income tax assets	215,577	235,159
Decrease (increase) in financial assets measured at fair value through profit or loss – current	104,163	(56,727)
Others	148,939	(137,817)
Net cash provided by (used in) operating activities	<u>(11,487,248)</u>	<u>34,444,053</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(7,391,939)	(6,499,284)
Increase in patent licenses and intangible assets	(1,023,516)	(608,541)
Acquisition of long-term equity investments, available-for-sale financial assets and financial assets carried at cost	(4,864,740)	(2,985,392)
Capital refund from investee and distribution from investee after completion of liquidation	78,072	341,163
Proceeds from sale of investments	639,676	95,084
Cash Paid for obtaining subsidiaries	(41,650)	(250,972)
Proceeds from sale of property, plant and equipment	686,437	553,610
Others	(103,216)	(102,733)
Net cash used in investing activities	<u>(12,020,876)</u>	<u>(9,457,065)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	21,606,416	(24,425,045)
Cash dividends paid	(6,105,341)	(11,769,843)
Proceeds from issuance of stock for employee stock options exercised	282,957	343,002
Purchase of treasury stock	-	(1,305,866)
Increase in long-term loans	597,987	-
Repayment of long-term loans	(107,000)	(94,500)
Changes in minority interests	(89,818)	(159,565)
Others	(2,581)	(2,658)
Net cash provided by (used in) financing activities	<u>16,182,620</u>	<u>(37,414,475)</u>
Effects of exchange rate change on cash and cash equivalents	<u>(928,780)</u>	<u>907,442</u>
Change in cash due to change in ownership of subsidiaries	<u>60,564</u>	<u>293,770</u>
Net decrease in cash and cash equivalents	<u>(8,193,720)</u>	<u>(11,226,275)</u>
Cash and cash equivalents at beginning of period	<u>52,348,302</u>	<u>63,574,577</u>
Cash and cash equivalents at end of period	<u>\$ 44,154,582</u>	<u>\$ 52,348,302</u>
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>278,381</u>	<u>475,452</u>
Income taxes	\$ <u>1,637,144</u>	<u>4,461,364</u>
Supplementary disclosures of financing activities not affecting cash flows:		
Long-term loans due within one year	\$ <u>47,383</u>	<u>82,000</u>

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Cont'd)

For the years ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan dollars)

The company obtained Synchro Seiki Inc. in November 2012, whose fair value of assets and liabilities were as follow:

Cash and Cash in banks	\$	60,564
Notes and accounts receivable, net		50,661
Other current financial assets		966
Inventories, net		14,912
Prepayment and other current assets		6,966
Property, plant and equipment, net		881
Intangible assets and others		137
Short term loans		(20,000)
Notes and accounts payable		(8,212)
Accrued and other current liabilities		(29,682)
Income tax payable		(3,072)
		<u>74,121</u>
Less: minority interest		(27,455)
Gain on bargain purchase		(5,016)
Cash paid for obtaining subsidiaries	\$	<u><u>41,650</u></u>

The company obtained Tatung Technology Inc. and CENA Electromex S.A. de C.V. in July and September 2011, respectively, whose fair value of assets and liabilities were as follow:

Tatung Technology Inc.

Cash and Cash in banks	\$	273,038
Change in financial assets measured at fair value through profit or loss-current		731
Notes and accounts receivable, net		918,730
Other current financial assets (included restricted assets)		72,176
Inventories, net		424,336
Prepayment and other current assets		70,880
Property, plant and equipment, net		15,702
Intangible assets and others		19,446
Short term loans		(357,070)
Notes and accounts payable		(983,544)
Accrued and other current liabilities		(395,123)
Other liabilities		(7,860)
	\$	<u><u>51,442</u></u>

CENA Electromex S.A. de C.V.

Case and Cash in banks	\$	20,732
Notes and accounts receivable, net		5,265
Other current financial assets		4,705
Prepayment and other current assets		3,687
Property, plant and equipment, net		280,499
Notes and accounts payable		(7,136)
Accrued expenses and other current liabilities		(45,188)
Income tax payable		(11,592)
Cash paid for obtaining subsidiaries	\$	<u><u>250,972</u></u>