



**CIPHERLAB CO.,LTD.and Subsidiaries**  
**Consolidated Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	September 30,2012		June 30,2012		September 30,2011		QoQ		YoY	
<b>Current assets</b>										
Cash and cash equivalents	197,460	15%	247,104	19%	279,711	16%	(49,644)	-20%	(82,251)	-29%
Financial assets at fair value through profit or loss - curr	0	0%	0	0%	62,887	13%	0	0%	(62,887)	-100%
Notes receivable, net	1,207	0%	3,291	0%	3,399	0%	(2,084)	-63%	(2,192)	-64%
Accounts receivable, net	283,107	21%	263,305	20%	228,303	17%	19,802	8%	54,804	24%
Accounts receivable - related parties, net	0	0%	0	0%	0	0%	0	0%	0	0%
Other receivable	12,272	1%	36,367	3%	35,852	3%	(24,095)	-66%	(23,580)	-66%
Inventories, Net	514,539	39%	469,366	35%	482,857	31%	45,173	10%	31,682	7%
Other current assets	23,269	2%	26,911	2%	53,120	1%	(3,642)	-14%	(29,851)	-56%
<b>Total current assets</b>	<b>1,031,854</b>	<b>78%</b>	<b>1,046,344</b>	<b>79%</b>	<b>1,146,129</b>	<b>81%</b>	<b>(14,490)</b>	<b>-1%</b>	<b>(114,275)</b>	<b>-10%</b>
<b>Long-term investments</b>										
Investments accounted for by the equity method	5,982	0%	5,994	0%	5,991	0%	(12)	0%	(9)	0%
Financial assets carried at cost – noncurrent	7,969	1%	10,419	1%	10,419	1%	(2,450)	-24%	(2,450)	-24%
Prepayments for investments	-	-	-	-	-	-	-	-	-	-
<b>Total long-term investments</b>	<b>13,951</b>	<b>1%</b>	<b>16,413</b>	<b>1%</b>	<b>16,410</b>	<b>1%</b>	<b>(2,462)</b>	<b>-15%</b>	<b>(2,459)</b>	<b>-15%</b>
<b>Property, plant and equipment</b>										
Property, plant and equipment	373,019	28%	351,195	26%	331,199	24%	21,824	6%	41,820	13%
Less: Accumulated depreciation	(202,707)	-15%	(199,211)	-15%	(184,562)	-12%	(3,496)	2%	(18,145)	10%
Less: Accumulated impairment	-	0%	-	0%	-	0%	-	0%	-	0%
Construction in progress and prepayments for equipmen	21,576	2%	27,162	2%	8,428	0%	(5,586)	-21%	13,148	156%
<b>Total property, plant and equipment</b>	<b>191,888</b>	<b>15%</b>	<b>179,146</b>	<b>13%</b>	<b>155,065</b>	<b>12%</b>	<b>12,742</b>	<b>7%</b>	<b>36,823</b>	<b>24%</b>
<b>Intangible assets and other assets</b>	<b>83,833</b>	<b>6%</b>	<b>90,891</b>	<b>7%</b>	<b>78,350</b>	<b>6%</b>	<b>(7,058)</b>	<b>-8%</b>	<b>5,483</b>	<b>7%</b>
<b>Total assets</b>	<b>1,321,526</b>	<b>100%</b>	<b>1,332,794</b>	<b>100%</b>	<b>1,395,954</b>	<b>100%</b>	<b>(11,268)</b>	<b>-1%</b>	<b>(74,428)</b>	<b>-5%</b>
<b>LIABILITIES :</b>										
<b>Current liabilities</b>										
Notes payable	76	0%	-	0%	-	0%	76	0	76	0%
Accounts payable	117,884	9%	117,139	9%	153,369	8%	745	1%	(35,485)	-23%
Accounts payable - related parties	6,189	0%	4,852	0%	11,582	1%	1,337	28%	(5,393)	-47%
Income tax payable	33,889	3%	53,187	4%	15,575	2%	(19,298)	-36%	18,314	118%
Accrued expenses	133,200	10%	128,445	10%	113,582	9%	4,755	4%	19,618	17%
Other payable - related parties	0	0%	0	0%	381	0%	0	0%	(381)	-100%
Other payable	13,601	1%	10,851	1%	11,546	1%	2,750	25%	2,055	18%
Other current liabilities	15,972	1%	9,011	1%	23,968	2%	6,961	77%	(7,996)	-33%
<b>Total current liabilities</b>	<b>320,811</b>	<b>24%</b>	<b>323,485</b>	<b>24%</b>	<b>330,003</b>	<b>23%</b>	<b>(2,674)</b>	<b>-1%</b>	<b>(9,192)</b>	<b>-3%</b>
<b>Other liabilities</b>	<b>15,372</b>	<b>1%</b>	<b>15,291</b>	<b>1%</b>	<b>15,346</b>	<b>1%</b>	<b>81</b>	<b>1%</b>	<b>26</b>	<b>0%</b>
<b>Total liabilities</b>	<b>336,183</b>	<b>25%</b>	<b>338,776</b>	<b>25%</b>	<b>345,349</b>	<b>24%</b>	<b>(2,593)</b>	<b>-1%</b>	<b>(9,166)</b>	<b>-3%</b>
<b>SHAREHOLDERS' EQUITY :</b>										
Capital stock	709,811	54%	709,811	53%	709,811	56%	0	0%	0	0%
Capital surplus	1,101	0%	1,101	0%	1,101	0%	0	0%	0	0%
Share-based Payments	0	0%	0	0%	0	0%	0	0%	-	0%
Retained earnings	369,237	28%	376,876	28%	409,535	28%	(7,639)	-2%	(40,298)	-10%
Others-cumulative translation adjustments	(6,750)	-1%	(6,201)	0%	(5,379)	-1%	(549)	9%	(1,371)	25%
Treasury stock	(89,645)	-7%	(89,645)	-7%	(64,463)	-7%	0	0%	(25,182)	39%
Minority interest	1,589	0%	2,076	0%	0	-7%	(487)	-23%	1,589	0%
<b>Total shareholders' equity</b>	<b>985,343</b>	<b>75%</b>	<b>994,018</b>	<b>75%</b>	<b>1,050,605</b>	<b>76%</b>	<b>(8,675)</b>	<b>-1%</b>	<b>(65,262)</b>	<b>-6%</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,321,526</b>	<b>100%</b>	<b>1,332,794</b>	<b>100%</b>	<b>1,395,954</b>	<b>100%</b>	<b>(11,268)</b>	<b>-1%</b>	<b>(74,428)</b>	<b>-5%</b>



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Nine Months Ended September 30,2012 and 2011**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	Nine Months 2012		Nine Months 2011		YoY	
Net Sales	1,138,382	100%	1,131,491	100%	6,891	1%
Cost of Goods Sold	(640,939)	-56%	(589,183)	-52%	(51,756)	9%
Gross Profit	497,443	44%	542,308	48%	(44,865)	-8%
Unrealized Profit	0	0%	0	0%	0	0%
Realized Profit	0	0%	0	0%	0	0%
Realized Gross Profit	497,443	44%	542,308	48%	(44,865)	-8%
Operating Expenses						
Sales and Marketing Expenses	(148,244)	-13%	(179,975)	-16%	31,731	-18%
General and Administrative Expenses	(96,182)	-8%	(102,916)	-9%	6,734	-7%
Research and Development Expenses	(146,420)	-13%	(111,187)	-10%	(35,233)	32%
Total operating expenses	(390,846)	-34%	(394,078)	-35%	3,232	-1%
Operating Income	106,597	9%	148,230	13%	(41,633)	-28%
Non-operating Income						
Interest income	1,692	0%	1,133	0%	559	49%
Investment income recognized under equity metho	5	0%	92	0%	(87)	-95%
Gain on disposal of property, plant and equipment	147	0%	0	0%	147	0%
Gain on sale of investments, net	-	0%	179	0%	- 179	-100%
Exchange gain, net	0	0%	22,382	2%	(22,382)	-100%
Reversal of Bad Debt Expenses	401	0%	5,896	1%	(5,495)	-93%
Valuation gain on financial assets, net	199	0%	193	0%	6	3%
Valuation gain on financial liabilities, net	0	0%	0	0%	0	0%
Miscellaneous income	1,602	1%	7,874	2%	(6,272)	-80%
Total non-operating income and gains	4,046	1%	37,749	5%	(33,703)	-89%
Non-operating expenses and losses						
Interest expense	(54)	0%	(52)	0%	(2)	4%
Investment loss recognized under equity method	0	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	(8)	0%	(439)	0%	431	-98%
Exchange loss, net	(13,211)	-1%	0	0%	(13,211)	0%
Miscellaneous expenses	(3)	0%	(107)	0%	104	-97%
Total non-operating expenses and losses	(13,276)	-1%	(598)	0%	(12,678)	2120%
Income before income tax	97,367	12%	185,381	18%	(88,014)	-47%
Income tax expense (benefit)	(19,080)	-2%	(36,580)	-3%	17,500	-48%
Net income	78,287	7%	148,801	13%	(70,514)	-47%
Earnings Per Share						
Basic Earnings Per Share Before Income Tax	1.42		2.72		- 1.30	
Basic Earnings Per Share After Income Tax	1.15		2.20		- 1.05	



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Three Months Ended September 30,2012 , June 30,2012 and September 30,2011**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	3Q 2012		2Q 2012		3Q 2011		QoQ		YoY	
Net Sales	364,496	100%	360,328	100%	446,766	100%	4,168	1%	(82,270)	-18%
Cost of Goods Sold	(218,457)	-60%	(193,209)	-54%	(223,295)	-50%	(25,248)	13%	4,838	-2%
Gross Profit	146,039	40%	167,119	46%	223,471	50%	(21,080)	-13%	(77,432)	-35%
Unrealized Profit	0	0%	0	0%	0	0%	0	0%	0	0%
Realized Profit	0	0%	0	0%	0	0%	0	0%	0	0%
Realized Gross Profit	146,039	40%	167,119	46%	223,471	50%	(21,080)	-13%	(77,432)	-35%
Operating Expenses										
Sales and Marketing Expenses	(53,577)	-15%	(44,137)	-12%	(74,271)	-17%	(9,440)	21%	20,694	-28%
General and Administrative Expenses	(35,872)	-10%	(30,297)	-8%	(35,092)	-8%	(5,575)	18%	(780)	2%
Research and Development Expenses	(59,578)	-16%	(37,677)	-10%	(44,040)	-9%	(21,901)	58%	(15,538)	35%
Total operating expenses	(149,027)	-41%	(112,111)	-30%	(153,403)	-34%	(36,916)	33%	4,376	-3%
Operating Income	(2,988)	-1%	55,008	16%	70,068	16%	(57,996)	-105%	(73,056)	-104%
Non-operating Income										
Interest income	291	0%	860	0%	494	0%	(569)	-66%	(203)	-41%
Investment income recognized under equity method	(13)	0%	8	0%	0	0%	(21)	-263%	(13)	0%
Dividend income	0	0%	-	0%	0	0%	0	0%	0	0%
Gain on disposal of property, plant and equipment	147	0%	-	0%	-	0%	147	0%	147	0%
Gain on sale of investments, net	0	-	-	0%	179	0%	0	0%	(179)	-100%
Gain on physical inventory	0	0%	-	0%	-	0%	0	0%	0	0%
Exchange gain, net	0	1%	-	0%	-	0%	0	0%	0	0%
Reversal of Bad Debt Expenses	401	0%	-	0%	2,278	1%	401	0%	(1,877)	-82%
Reversal of loss on inventories	0	0%	-	0%	0	0%	0	0%	0	0%
Reversal of impairment loss	0	0%	-	0%	0	0%	0	0%	0	0%
Valuation gain on financial assets, net	0	0%	102	0%	223	0%	(102)	-100%	223	-100%
Valuation gain on financial liabilities, net	0	0%	-	0%	0	0%	0	0%	0	0%
Miscellaneous income	725	0%	349	0%	2,876	1%	376	108%	(2,151)	-75%
Total non-operating income and gains	1,551	1%	1,319	-1%	5,604	2%	232	18%	(4,053)	-72%
Non-operating expenses and losses										
Interest expense	(54)	0%	-	0%	(49)	0%	(54)	0%	(5)	10%
Investment loss recognized under equity method	0	0%	-	0%	0	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	0	0%	8.00	0%	(24)	0%	8	-100%	24	-100%
Loss on sale of investments, net	0	0%	-	0%	0	0%	0	0%	0	0%
Loss on physical inventory	0	0%	-	0%	0	0%	0	0%	0	0%
Exchange loss, net	(8,056)	-2%	(9,336)	-3%	(1,387)	0%	1,280	-14%	(6,669)	481%
Provision for loss on inventories	0	0%	0	0%	0	0%	0	0%	0	0%
Impairment loss	0	0%	0	0%	0	0%	0	0%	0	0%
Valuation loss on financial assets, net	0	0%	0	0%	0	0%	0	0%	0	0%
Valuation loss on financial liabilities, net	0	-	0	0%	0	0%	0	0%	0	0%
Miscellaneous expenses	0	0%	(3)	0%	-	0%	3	-100%	0	0%
Total non-operating expenses and losses	(8,110)	-2%	(9,347)	-3%	(1,460)	0%	1,237	-13%	(6,650)	455%
Income before income tax	(9,547)	-2%	46,980	13%	74,212	18%	(56,527)	-120%	(83,759)	-113%
Income tax expense (benefit)	1,420	0%	(7,834)	-2%	(6,098)	-1%	9,254	-118%	7,518	-123%
Net income	(8,127)	-2%	39,146	11%	68,114	17%	(47,273)	-121%	(76,241)	-112%
Earnings Per Share										
Basic Earnings Per Share Before Income Tax	-0.13		0.55		1.04		(0.68)		(1.17)	
Basic Earnings Per Share After Income Tax	-0.11		0.47		0.96		(0.58)		(1.07)	



## CIPHERLAB CO.,LTD.

## Consolidated Condensed Statements of Cash Flows

FOR THE NINE MONTHS ENDED September 30,2012 AND FOR THE THREE MONTHS ENDED ,September 30, June 30,2012 ,2012 AND September 30,2011

(In Thousands of New Taiwan Dollars)

	Nine Months 2012	3Q 2012	2Q 2012	3Q 2011
Cash flows from operating activities				
Net income	78,287	(8,127)	47,268	52,378
Depreciation	19,379	7,761	6,035	5,654
Amortization	15,252	5,704	5,708	5,193
Provision(Reversal) for doubtful accounts	(401)	(946)	510	110
Provision for (recovery of) loss on inventories	3,388	(9,621)	7,210	4,100
Loss (gain) on sale of investments	0	0	0	0
Investment loss (income) recognized under equity method	(5)	13	(10)	(92)
Loss (gain) on disposal of property, plant and equipment	(139)	(147)	0	1
Valuation loss (gain) on financial instruments	(199)	0	(97)	1,811
Reversal of impairment loss on financial instruments		0	0	0
Impairment loss		0	0	0
Unrealized gross profit		0	0	0
Realized gross profit		0	0	0
Deferred income tax	(6,998)	(3,668)	(1,920)	2,127
Others	1,334	2,422	(1,164)	(1,687)
Changes in operating assets and liabilities:		0	0	
Financial assets at fair value through profit or loss - current	62,998	0	62,998	2
Notes receivable	4,737	2,067	(230)	3,844
Accounts receivable	(25,655)	(20,482)	(63,183)	26,708
Other receivables	24,340	24,110	(566)	(1,188)
Inventories	(15,335)	(37,566)	13,927	(87,371)
Prepaid expenses	8,039	4,502	1,120	(1,382)
Notes payable	76	76	0	0
Accounts payable	(15,864)	745	19,040	44,960
Accounts payable – related parties	(4,212)	1,336	(3,425)	3,260
Income tax payable	(6,918)	(19,282)	3,327	4,385
Accrued expenses	(36,157)	4,815	3,597	12,162
Other payables	(647)	34	(2,425)	1,341
Receipts in advance	(1,937)	7,533	(7,756)	(2,860)
Other current liabilities	(517)	(570)	626	(931)
Net cash provided by (used in) operating activities	102,846	(39,291)	90,590	72,525
Cash flows from investing activities				0
Acquisition of investments accounted for by equity method	0	0	0	(5,858)
Acquisition of property, plant and equipment	(47,807)	(17,885)	(15,848)	(6,649)
Acquisition of Intangible assets	(9,817)	1,557	(8,491)	(7,971)
Decrease (increase) in other receivables – related parties	0	0	0	0
Others	0	0	0	2,903
Acquisition of financial assets carried at cost	0	0	0	2,955
Proceeds from financial assets carried at cost	2,450	2,450	0	0
Decrease (increase) in restricted assets	(6)	0	(6)	265
Decrease (increase) in refundable deposits	603	931	(921)	40
Increase in deferred charges	0	0	(94)	(6)
Net cash used in investing activities	(54,577)	(12,947)	(25,360)	(14,321)
Cash flows from financing activities				0
Increase in short-term bills payable		-	0	-
Cash dividends	(157,525)	0	(157,525)	0
Increase in minority interest	2,350	0	0	0
Cash paid for acquisition of treasury stock	(25,182)	0	0	58,000
Others		0	0	0
Net cash used in financing activities	(180,357)	0	(157,525)	58,000
Effect of exchange rate changes	4,563	2,594	(2,233)	(2,469)
Net decrease in cash and cash equivalents	(127,525)	(49,644)	(94,528)	113,735
Cash and cash equivalents at Beginning of Period	324,985	247,104	341,632	165,976
cash and cash equivalents at End of Period	197,460	200,054	247,104	277,242