



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

	September 30,2014		December 31,2013		September 30,2013		QoQ		YoY	
<b>Current assets</b>										
Cash and cash equivalents	163,878	13%	212,449	17%	190,318	15%	(48,571)	-23%	(26,440)	-14%
Financial assets at fair value through profit or loss - curr	0	0%	0	0%	0	0%	0	0%	0	0%
Current financial assets at cost, net	0	0%	0	0%	0	0%	0	0%	0	0%
Current bond investment without active market, net	14,000	1%	17,343	1%	20,520	2%	(3,343)	-19%	(6,520)	-32%
Notes receivable, net	5,791	0%	1,791	0%	1,354	0%	4,000	223%	4,437	328%
Accounts receivable, net	186,609	15%	213,393	17%	242,118	19%	(26,784)	-13%	(55,509)	-23%
Accounts receivable - related parties, net	0	0%	0	0%	0	0%	0	0%	0	0%
Other receivable	10,454	1%	10,127	1%	9,779	1%	327	3%	675	7%
Inventories, Net	574,466	46%	491,597	39%	531,785	41%	82,869	17%	42,681	8%
Other current assets	23,145	2%	22,604	2%	20,227	2%	541	2%	2,918	14%
<b>Total current assets</b>	<b>978,343</b>	<b>79%</b>	<b>969,304</b>	<b>77%</b>	<b>1,016,101</b>	<b>78%</b>	<b>9,039</b>	<b>1%</b>	<b>(37,758)</b>	<b>-4%</b>
<b>Long-term investments</b>										
Investments accounted for by the equity method	0	0%	0	0%	0	0%	0	0%	0	0%
Financial assets carried at cost – noncurrent	4,048	0%	5,098	0%	5,098	0%	(1,050)	-21%	(1,050)	-21%
Prepayments for investments	-	-	-	-	-	-	-	0%	-	-
<b>Total long-term investments</b>	<b>4,048</b>	<b>0%</b>	<b>5,098</b>	<b>0%</b>	<b>5,098</b>	<b>0%</b>	<b>(1,050)</b>	<b>-21%</b>	<b>(1,050)</b>	<b>-21%</b>
<b>Property, plant and equipment</b>										
Property, plant and equipment	183,077	15%	162,452	13%	161,137	12%	20,625	13%	21,940	14%
<b>Total property, plant and equipment</b>	<b>183,077</b>	<b>15%</b>	<b>162,452</b>	<b>13%</b>	<b>161,137</b>	<b>12%</b>	<b>20,625</b>	<b>13%</b>	<b>21,940</b>	<b>14%</b>
<b>Intangible assets and other assets</b>										
	76,063	6%	121,175	10%	124,294	10%	(45,112)	-37%	(48,231)	-39%
<b>Total assets</b>	<b>1,241,531</b>	<b>100%</b>	<b>1,258,029</b>	<b>100%</b>	<b>1,306,630</b>	<b>100%</b>	<b>(16,498)</b>	<b>-1%</b>	<b>(65,099)</b>	<b>-5%</b>
<b>LIABILITIES :</b>										
<b>Current liabilities</b>										
Notes payable	5	0%	6	0%	3	0%	1	-17%	2	67%
Accounts payable	125,887	10%	66,335	5%	111,926	9%	59,552	90%	13,961	12%
Accounts payable - related parties	6,872	1%	5,174	0%	9,761	1%	1,698	33%	(2,889)	-30%
Other payable	127,202	10%	152,592	12%	149,845	11%	(25,390)	-17%	(22,643)	-15%
Other payable - related parties	0	0%	0	0%	42	0%	0	0%	(42)	-100%
Income tax payable	11,331	1%	6,587	1%	6,587	1%	4,744	72%	4,744	72%
Current provisions	49	0%	960	0%	752	0%	(911)	-95%	(703)	-93%
Long-term liabilities-current portion	0	0%	5,855	0%	5,801	0%	(5,855)	-100%	(5,801)	-100%
Other current liabilities	9,620	1%	9,134	1%	7,535	1%	486	5%	2,085	28%
<b>Total current liabilities</b>	<b>280,966</b>	<b>23%</b>	<b>246,643</b>	<b>20%</b>	<b>292,252</b>	<b>22%</b>	<b>34,323</b>	<b>14%</b>	<b>(11,286)</b>	<b>-4%</b>
<b>Non-current liabilities</b>										
Long-term loans liabilities	0	0%	20,795	2%	22,291	2%	(20,795)	-100%	(22,291)	-100%
Deferred tax liabilities	986	0%	416	0%	0	0%	570	137%	986	100%
Accrued pension liabilities	21,483	2%	21,487	2%	23,149	2%	(4)	0%	(1,666)	-7%
<b>Total non-current liabilities</b>	<b>22,469</b>	<b>2%</b>	<b>42,698</b>	<b>3%</b>	<b>45,440</b>	<b>3%</b>	<b>(20,229)</b>	<b>-47%</b>	<b>(22,971)</b>	<b>-51%</b>
<b>Total liabilities</b>	<b>303,435</b>	<b>24%</b>	<b>289,341</b>	<b>23%</b>	<b>337,692</b>	<b>26%</b>	<b>14,094</b>	<b>5%</b>	<b>(34,257)</b>	<b>-10%</b>
<b>SHAREHOLDERS' EQUITY :</b>										
Capital stock	692,991	56%	709,811	56%	709,811	54%	(16,820)	-2%	(16,820)	-2%
Capital surplus	4,598	0%	4,624	0%	4,624	0%	(26)	-1%	(26)	-1%
Share-based Payments	0	0%	0	0%	0	0%	0	0%	-	0%
Retained earnings	264,139	21%	338,442	27%	338,739	26%	(74,303)	-22%	(74,600)	-22%
Others-cumulative translation adjustments	990	0%	1,032	0%	367	0%	(42)	-4%	623	170%
Treasury stock	(25,182)	-2%	(89,645)	-7%	(89,645)	-7%	64,463	-72%	64,463	-72%
Non-controlling interests	560	0%	4,424	0%	5,042	0%	(3,864)	-87%	(4,482)	-89%
<b>Total shareholders' equity</b>	<b>938,096</b>	<b>76%</b>	<b>968,688</b>	<b>77%</b>	<b>968,938</b>	<b>74%</b>	<b>(30,592)</b>	<b>-3%</b>	<b>(30,842)</b>	<b>-3%</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,241,531</b>	<b>100%</b>	<b>1,258,029</b>	<b>100%</b>	<b>1,306,630</b>	<b>100%</b>	<b>(16,498)</b>	<b>-1%</b>	<b>(65,099)</b>	<b>-5%</b>



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Nine Months Ended September 30,2014 and 2013**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	Nine Months 2014		Nine Months 2013		YoY	
Net Sales	989,486	100%	1,089,792	100%	(100,306)	-9%
Cost of Goods Sold	(564,689)	57%	(622,362)	57%	57,673	-9%
Gross Profit	424,797	43%	467,430	43%	(42,633)	-9%
Unrealized Profit	0	0%	0	0%	0	0%
Realized Profit	0	0%	0	0%	0	0%
Realized Gross Profit	424,797	43%	467,430	43%	(42,633)	-9%
Operating Expenses						
Sales and Marketing Expenses	(170,413)	17%	(175,217)	16%	4,804	-3%
General and Administrative Expenses	(63,482)	6%	(67,128)	6%	3,646	-5%
Research and Development Expenses	(180,975)	18%	(196,017)	18%	15,042	-8%
Total operating expenses	(414,870)	42%	(438,362)	40%	23,492	-5%
Operating Income	9,927	1%	29,068	3%	(19,141)	-66%
Non-operating Income						
Interest income	1,128	0%	1,135	0%	(7)	-1%
Investment income recognized under equity method	0	0%	(62)	0%	62	-100%
Dividend income	0	0%	-	0%	0	0%
Gain on disposal of property, plant and equipment	0	0%	0	0%	0	0%
Gain on disposal of available-for-sale financial assets	0	0%	17,038	2%	(17,038)	-100%
Gain on physical inventory	0	0%	0	0%	0	0%
Exchange gain, net	7,291	1%	6,358	1%	933	15%
Reversal of Bad Debt Expenses	0	0%	-	0%	0	0%
Gain on financial asset at fair value through profit or loss	0	0%	0	0%	0	0%
Miscellaneous income	3,177	0%	2,290	0%	887	39%
Total non-operating income and gains	11,596	1%	26,759	2%	(15,163)	-57%
Non-operating expenses and losses						
Interest expense	(147)	0%	(233)	0%	86	-37%
Investment loss recognized under equity method	0	0%	0	0%	0	0%
Investment Impairment loss recognized under equity method	0	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	(3,672)	0%	(70)	0%	(3,602)	5146%
Exchange loss, net	0	0%	0	0%	0	0%
Miscellaneous expenses	(83)	0%	0	0%	(83)	100%
Total non-operating expenses and losses	(3,902)	0%	(303)	0%	(3,599)	1188%
Income before income tax	17,621	2%	55,524	5%	(37,903)	-68%
Income tax expense (benefit)	(7,077)	1%	(10,142)	1%	3,065	-30%
Net income	10,544	1%	45,382	4%	(34,838)	-77%
Other comprehensive income						
Exchange differences on translation	(51)	0%	1,732	0%	(1,783)	-103%
Actuarial gains and losses of defined benefit plans	0	0%	0	0%	0	0%
Other comprehensive income	9	0%	(295)	0%	304	-103%
Other comprehensive income, net	(42)	0%	1,437	0%	(1,479)	-103%
Total comprehensive income	10,502	1%	46,819	4%	(36,317)	-78%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	14,777		53,443		(38,666)	
Profit (loss), attributable to non-controlling interests	(4,233)		(8,061)		3,828	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	14,735		54,880		(40,145)	
Comprehensive income, attributable to non-controlling interests	(4,233)		(8,061)		3,828	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	0.22		0.78		-	0.56
Diluted Earnings Per Share After Income Tax	0.22		0.78		-	0.56



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Three Months Ended June 30,2014 , December 31,2013 and June 30 ,2013**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	3Q 2014		2Q 2014		3Q 2013		QoQ		YoY	
Net Sales	326,743	100%	324,646	100%	383,843	118%	2,097	1%	(57,100)	-15%
Cost of Goods Sold	(196,318)	-60%	(183,154)	-56%	(228,189)	-70%	(13,164)	7%	31,871	-14%
Gross Profit	130,425	40%	141,492	44%	155,654	48%	(11,067)	-8%	(25,229)	-16%
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	130,425	40%	141,492	44%	155,654	48%	(11,067)	-8%	(25,229)	-16%
Operating Expenses										
Sales and Marketing Expenses	(53,110)	-16%	(60,317)	-19%	(68,288)	-21%	7,207	-12%	15,178	-22%
General and Administrative Expenses	(21,629)	-7%	(20,670)	-6%	(12,841)	-4%	(959)	5%	(8,788)	68%
Research and Development Expenses	(59,633)	-18%	(66,207)	-20%	(71,443)	-22%	6,574	-10%	11,810	-17%
Total operating expenses	(134,372)	-41%	(147,194)	-45%	(152,572)	-47%	12,822	-9%	18,200	-12%
Operating Income	(3,947)	-1%	(5,702)	-2%	3,082	1%	1,755	-31%	(7,029)	-228%
Non-operating Income										
Interest income	311	0%	450	0%	318	0%	(139)	-31%	(7)	-2%
Investment income recognized under equity method	0	0%	0	0%	0	0%	0	0%	0	0%
Dividend income	0	0%	0	0%	0	0%	0	0%	0	0%
Gain on disposal of property, plant and equipment	0	0%	0	0%	0	0%	0	0%	0	0%
Gain on disposal of available-for-sale financial assets	0	0%	0	0%	17,038	5%	-	0%	(17,038)	-100%
Gain on sale of investments, net	0	0%	0	0%	0	0%	-	0%	-	0%
Exchange gain, net	5,989	2%	(3,867)	-1%	0	0%	9,856	-255%	5,989	100%
Reversal of Bad Debt Expenses	0	0%	0	0%	0	0%	0	0%	0	0%
Gain on financial asset at fair value through profit or loss	0	0%	0	0%	0	0%	0	0%	0	0%
Miscellaneous income	1,357	1%	1,600	1%	792	1%	(243)	-15%	565	71%
Total non-operating income and gains	7,657	3%	(1,817)	0%	18,148	6%	9,474	-521%	(10,491)	-58%
Non-operating expenses and losses										
Interest expense	0	0%	(34)	0%	(156)	0%	34	-100%	156	-100%
Investment loss recognized under equity method	0	0%	0	0%	0	0%	0	0%	0	0%
Investment Impairment loss recognized under equity method	0	0%	0	0%	0	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	0	0%	0	0%	(70)	0%	0	0%	70	-100%
Exchange loss, net	0	0%	0	0%	(3,455)	-1%	0	0%	3,455	-100%
Miscellaneous expenses	(88)	0%	0	0%	0	0%	(88)	100%	(88)	100%
Total non-operating expenses and losses	(88)	0%	(34)	0%	(3,681)	-1%	(54)	159%	3,593	-98%
Income before income tax	3,622	2%	(7,553)	-2%	17,549	8%	11,175	-148%	(13,927)	-79%
Income tax expense (benefit)	(766)	0%	(52)	0%	(4,976)	-2%	(714)	1373%	4,210	-85%
Net income	2,856	1%	(7,605)	-2%	12,573	4%	10,461	-138%	(9,717)	-77%
Other comprehensive income										
Exchange differences on translation	(34)	0%	(1,298)	0%	(437)	0%	1,264	-97%	403	-92%
Actuarial gains and losses of defined benefit plans	0	0%	0	0%	0	0%	0	0%	0	0%
Other comprehensive income	6	0%	221	0%	73	0%	(215)	-97%	(67)	-92%
Other comprehensive income, net	(28)	0%	(1,077)	0%	(364)	0%	1,049	-97%	336	-92%
Total comprehensive income	2,828	1%	(8,682)	-3%	12,209	4%	11,510	-133%	(9,381)	-77%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	3,006		(6,693)		19,275		9,699		(16,269)	
Profit (loss), attributable to non-controlling interests	(150)		(912)		(6,702)		762		6,552	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	2,978		(7,770)		18,911		10,748		(15,933)	
Comprehensive income, attributable to non-controlling interest	(150)		(912)		(6,702)		762		6,552	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	0.04		(0.10)		0.28		0.14		(0.24)	
Diluted Earnings Per Share After Income Tax	0.04		(0.10)		0.28		0.14		(0.24)	

	2014	2013
Cash flows from operating activities		
Net income	17,621	55,524
Provision(Reversal) for doubtful accounts	(334)	(739)
Depreciation	28,822	26,422
Amortization	20,932	15,040
Investment loss (income) recognized under equity method	0	62
Interest revenue	(1,128)	(1,135)
Dividend income	(1,597)	0
Gain on financial asset at fair value through profit or loss	0	0
Financial Cost	147	233
Loss (gain) on disposal of property, plant and equipment	3,672	70
Loss (gain) on disposal of Intangible assets	83	
Loss (gain) on sale of investments	0	(17,038)
Provision for (recovery of) loss on inventories	10,002	11,922
Investment Impairment loss	0	0
Unrealized foreign exchange loss (gain)	(1,470)	261
Difference Between Net Pension Cost and Plan Contribution	(4)	0
Others	760	0
Valuation loss (gain) on financial instruments	0	0
Notes receivable	(4,000)	1,873
Notes receivable – related parties	0	0
Accounts receivable	29,379	19,235
Accounts receivable – related parties	0	0
Other receivables	(318)	(1,853)
Inventories	(91,404)	(77,902)
Other current assets	(519)	(6,386)
Notes payable	(1)	(7)
Accounts payable	59,591	(7,498)
Accounts payable – related parties	1,698	4,338
Other payables	(24,495)	18,833
Other payables – related parties	0	(429)
Provisions	(922)	(421)
Other current liabilities	51	(5,736)
Cash generated from operations	46,566	34,669
Interest received	1,128	1,151
Dividends received	1,597	0
Income tax paid	(5,539)	(40,302)
Net cash provided by (used in) operating activities	43,752	(4,482)
Cash flows from investing activities		
Acquisition of bond investments without active market	0	0
Proceeds from bond investments without active market	3,412	2,343
Proceeds from financial assets carried at cost at fair value	1,050	19,909
Proceeds from financial assets carried at cost	0	0
Acquisition of property, plant and equipment	(17,342)	(4,317)
Proceeds from property, plant and equipment	0	0
Acquisition of Intangible assets	(2,658)	(9,620)
Decrease (increase) in other financial assets	(6)	(7)
Decrease (increase) in other non-current assets	(7,164)	(18,908)
Net cash used in investing activities	(22,708)	(10,600)
Cash flows from financing activities		
Decrease (increase) in long-term loans	(26,650)	28,092
Capital Increase by cash of non-controlling interests	0	0
Increase in short-term bills payable	0	0
Cash dividends	(41,094)	(68,489)
Cash paid for acquisition of treasury stock	0	0
Interest paid	(170)	(233)
Net cash used in financing activities	(67,914)	(40,630)
Effect of exchange rate changes	(1,701)	1,355
Net decrease in cash and cash equivalents	(48,571)	(54,357)
Cash and cash equivalents at Beginning of Period	212,449	244,675
cash and cash equivalents at End of Period	163,878	190,318