

Consolidated Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30, 2018		December 31, 2017		September 30, 2017		QoQ		YoY	
ASSETS :										
Current assets										
Cash and cash equivalents	\$225,003	15%	\$205,412	17%	\$168,458	14%	\$19,591	10%	\$56,545	34%
Financial assets at fair value through profit or loss – current	0	0%	12,121	1%	0	0%	(12,121)	-100%	0	0%
Current financial assets at cost, net	41,936	3%	0	0%	0	0%	41,936	100%	41,936	100%
Current bond investment without active market, net	0	0%	27,664	2%	25,398	2%	(27,664)	-100%	(25,398)	-100%
Notes receivable, net	1,600	0%	421	0%	431	0%	1,179	280%	1,169	271%
Accounts receivable, net	392,380	27%	261,124	22%	267,720	23%	131,256	50%	124,660	47%
Other receivable	8,946	1%	8,617	1%	6,636	1%	329	4%	2,310	35%
Deferred income tax assets	7,563	1%	7,533	1%	7,033	1%	30	0%	530	8%
Inventories, net	553,930	38%	422,233	36%	453,542	39%	131,697	31%	100,388	22%
Other current assets	34,964	2%	32,040	3%	26,582	2%	2,924	9%	8,382	32%
Total current assets	1,266,322	87%	977,165	83%	955,800	82%	289,157	30%	310,522	32%
Long-term investments										
Financial assets carried at cost – noncurrent	0	0%	0	0%	610	0%	0	0%	(610)	-100%
Total long-term investments	0	0%	0	0%	610	0%	0	0%	(610)	-100%
Property, plant and equipment										
Property, plant and equipment	129,023	9%	129,290	11%	133,275	12%	(267)	0%	(4,252)	-3%
Total property, plant and equipment	129,023	9%	129,290	11%	133,275	12%	(267)	0%	(4,252)	-3%
Intangible assets and other assets										
	65,401	4%	70,542	6%	71,313	6%	(5,141)	-7%	(5,912)	-8%
Total assets	\$1,460,746	100%	\$1,176,997	100%	\$1,160,998	100%	\$283,749	24%	\$299,748	26%
LIABILITIES :										
Current liabilities										
Short-term bills payable	\$160,000	11%	\$50,000	4%	\$75,000	6%	\$110,000	220%	\$85,000	1.1333
Notes payable	5	0%	335	0%	669	0%	(330)	-99%	(664)	-99%
Accounts payable	220,448	15%	117,127	10%	121,819	11%	103,321	88%	98,629	81%
Other payable	167,163	12%	150,002	13%	135,862	12%	17,161	11%	31,301	23%
Income tax payable	4,574	0%	4,574	0%	4,574	0%	0	0%	0	0%
Other current liabilities	7,609	1%	2,057	0%	3,863	0%	5,552	270%	3,746	97%
Total current liabilities	559,799	39%	324,095	27%	341,787	29%	235,704	73%	218,012	64%
Non-current liabilities										
Deferred tax liabilities	766	0%	537	0%	450	0%	229	43%	316	70%
Accrued pension liabilities	16,823	1%	16,822	2%	17,742	2%	1	0%	(919)	-5%
Refundable deposits	16,145	1%	16,145	1%	16,145	1%	0	0%	0	0%
Total non-current liabilities	33,734	2%	33,504	3%	34,337	3%	230	1%	(603)	-2%
Total liabilities	593,533	41%	357,599	30%	376,124	32%	235,934	66%	217,409	58%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	47%	684,891	58%	684,891	59%	0	0%	0	0%
Capital surplus	1,131	0%	1,101	0%	1,062	0%	30	3%	69	6%
Retained earnings	184,803	12%	135,477	12%	100,007	9%	49,326	36%	84,796	85%
Others-cumulative translation adjustments	(3,905)	0%	(2,808)	0%	(1,498)	0%	(1,097)	39%	(2,407)	161%
Non-controlling interests	293	0%	737	0%	412	0%	(444)	-60%	(119)	-29%
Total shareholders' equity	867,213	59%	819,398	70%	784,874	68%	47,815	6%	82,339	10%
Total liabilities and shareholders' equity	\$1,460,746	100%	\$1,176,997	100%	\$1,160,998	100%	\$283,749	24%	\$299,748	26%



CIPHERLAB CO., LTD. and Subsidiaries
Consolidated Condensed Income Statements
For the Period Ended September 30, 2018 and September 30, 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	September 30, 2018		September 30, 2017		YoY	
Net Sales	\$1,077,108	100%	\$833,480	100%	\$243,628	29%
Cost of Goods Sold	(660,351)	-61%	(515,243)	-62%	(145,108)	28%
Gross Profit	416,757	39%	318,237	38%	98,520	31%
Operating Expenses						
Sales and Marketing Expenses	(170,399)	-16%	(168,461)	-20%	(1,938)	1%
General and Administrative Expenses	(54,377)	-5%	(55,636)	-7%	1,259	-2%
Research and Development Expenses	(153,525)	-14%	(194,808)	-23%	41,283	-21%
Expected Credit Impairment Gain (Loss)	10,107	1%	0	0%	10,107	100%
Total operating expenses	(368,194)	-34%	(418,905)	-50%	50,711	-12%
Operating Income	48,563	5%	(100,668)	-12%	149,231	-148%
Non-operating Income						
Interest income	1,228	0%	1,023	0%	205	20%
Gain on Disposal of investments, net	0	0%	10	0%	(10)	-100%
Exchange gain, net	3,168	0%	0	0%	3,168	100%
Gain on financial asset at fair value through profit or loss	234	0%	538	0%	(304)	-57%
Miscellaneous income	262	0%	1,025	0%	(763)	-74%
Total non-operating income and gains	4,892	0%	2,596	0%	2,296	88%
Non-operating expenses and losses						
Loss on disposal of property, plant and equipment		0%	(20)	0%	20	-100%
Exchange loss, net	0	0%	(12,330)	-1%	12,330	-100%
Financial Cost	(884)	0%	(168)	0%	(716)	426%
Total non-operating expenses and losses	(884)	0%	(12,518)	-1%	11,634	-93%
Income before income tax	52,571	5%	(110,590)	-13%	163,161	-148%
Income tax expense (benefit)	(5,774)	-1%	19,211	2%	(24,985)	-130%
Net income	46,797	4%	(91,379)	-11%	138,176	-151%
Other comprehensive income						
Items not to be reclassified into profit or loss						
Items not to be reclassified related income tax	(95)	0%	0	0%	(95)	100%
Items will be reclassified into profit or loss						
Exchange differences on translation	1,227	0%	(3,699)	0%	4,926	-133%
Items will be reclassified related income tax	(144)	0%	629	0%	(773)	-123%
Other comprehensive income, net	988	0%	(3,070)	0%	4,058	-132%
Total comprehensive income	\$47,785	4%	(\$94,449)	-11%	\$142,234	-151%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	\$47,241	4%	(\$90,612)	-11%	\$137,853	
Profit (loss), attributable to non-controlling interests	(444)	0%	(767)	0%	323	
	\$46,797	4%	(\$91,379)	-11%	\$138,176	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	\$48,229	4%	(\$93,682)	-11%	\$141,911	
Comprehensive income, attributable to non-controlling interests	(444)	0%	(767)	0%	323	
	\$47,785	4%	(\$94,449)	-11%	\$142,234	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	\$0.69		(\$1.32)		\$2.01	
Diluted Earnings Per Share After Income Tax	\$0.69		(\$1.32)		\$2.01	



CIPHERLAB CO., LTD. and Subsidiaries
Consolidated Condensed Income Statements
For the Quarterly Period Ended September 30, 2018 , June 30, 2018 and September 30, 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	<u>3Q 2018</u>		<u>2Q 2018</u>		<u>3Q 2017</u>		<u>QoQ</u>		<u>YoY</u>	
Net Sales	\$471,348	100%	\$311,127	100%	\$335,789	100%	\$160,221	51%	\$135,559	40%
Cost of Goods Sold	(295,619)	-63%	(189,692)	-61%	(207,411)	-62%	(105,927)	56%	(88,208)	43%
Gross Profit	175,729	37%	121,435	39%	128,378	38%	54,294	45%	47,351	37%
Operating Expenses										
Sales and Marketing Expenses	(58,893)	-13%	(57,270)	-18%	(54,496)	-16%	(1,623)	3%	(4,397)	8%
General and Administrative Expenses	(19,495)	-4%	(17,888)	-6%	(18,336)	-5%	(1,607)	9%	(1,159)	6%
Research and Development Expenses	(56,397)	-12%	(51,668)	-16%	(62,446)	-19%	(4,729)	9%	6,049	-10%
Expected Credit Impairment (Loss) Gain	(171)	0%	10,544	3%	0	0%	(10,715)	-102%	(171)	100%
Total operating expenses	<u>(134,956)</u>	<u>-29%</u>	<u>(116,282)</u>	<u>-37%</u>	<u>(135,278)</u>	<u>-40%</u>	<u>(18,674)</u>	<u>16%</u>	<u>322</u>	<u>0%</u>
Operating Income	40,773	8%	5,153	2%	(6,900)	-2%	35,620	691%	47,673	-691%
Non-operating Income										
Interest income	353	0%	440	0%	376	0%	(87)	-20%	(23)	-6%
Exchange gain, net	0	0%	5,501	2%	617	1%	(5,501)	100%	(617)	-100%
Gain on financial asset at fair value method	9	0%	138	0%	25	0%	(129)	-93%	(16)	-64%
Miscellaneous income	189	0%	16	0%	336	0%	173	1081%	(147)	-44%
Total non-operating income and gains	551	0%	6,095	2%	1,354	1%	(5,544)	-91%	(803)	-59%
Non-operating expenses and losses										
Loss on disposal of property, plant and equipment	0	0%	0	0%	(20)	0%	0	0%	20	-100%
Exchange loss, net	(761)	0%	0	0%	0	0%	(761)	#DIV/0!	(761)	100%
Financial Cost	(330)	0%	(302)	0%	(110)	0%	(28)	9%	(220)	200%
Total non-operating expenses and losses	<u>(1,091)</u>	<u>0%</u>	<u>(302)</u>	<u>0%</u>	<u>(130)</u>	<u>0%</u>	<u>(789)</u>	<u>261%</u>	<u>(961)</u>	<u>739%</u>
Income before income tax	40,233	8%	10,946	4%	(5,676)	-1%	29,287	268%	45,909	-809%
Income tax expense (benefit)	(5,458)	-1%	416	0%	602	0%	(5,874)	-1412%	(6,060)	-1007%
Net income	34,775	7%	11,362	4%	(5,074)	-1%	23,413	206%	39,849	-785%
Other comprehensive income										
Items not to be reclassified into profit or loss										
Items not to be reclassified related income tax	0	0%	(95)	0%	0	0%	95	100%	0	0%
Items will be reclassified into profit or loss										
Exchange differences on translation	(1,869)	0%	4,047	1%	717	0%	(5,916)	-146%	(2,586)	-361%
Items will be reclassified related income tax	374	0%	(708)	0%	(122)	0%	1,082	-153%	496	-407%
Other comprehensive income, net	(1,495)	0%	3,244	1%	595	0%	(4,739)	-146%	(2,090)	-351%
Total comprehensive income	<u>\$33,280</u>	<u>7%</u>	<u>\$14,606</u>	<u>5%</u>	<u>(\$4,479)</u>	<u>-1%</u>	<u>\$18,674</u>	<u>128%</u>	<u>\$37,759</u>	<u>-843%</u>
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	\$34,920	7%	\$11,494	4%	(\$4,877)	-1%	\$23,426		\$39,797	
Profit (loss), attributable to non-controlling interests	(145)	0%	(132)	0%	(197)	0%	(13)		52	
	<u>\$34,775</u>	<u>7%</u>	<u>\$11,362</u>	<u>4%</u>	<u>(\$5,074)</u>	<u>-1%</u>	<u>\$23,413</u>		<u>\$39,849</u>	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	\$33,425	7%	\$14,738	5%	(\$4,282)	-1%	\$18,687		\$37,707	
Comprehensive income, attributable to non-controlling interests	(145)	0%	(132)	0%	(197)	0%	(13)		52	
	<u>\$33,280</u>	<u>7%</u>	<u>\$14,606</u>	<u>5%</u>	<u>(\$4,479)</u>	<u>-1%</u>	<u>\$18,674</u>		<u>\$37,759</u>	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	\$0.51		\$0.17		(\$0.07)		\$0.34		\$0.58	
Diluted Earnings Per Share After Income Tax	\$0.51		\$0.17		(\$0.07)		\$0.34		\$0.58	



CIPHERLAB CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows
For the Period Ended September 30, 2018 and September 30, 2017
(In Thousands of New Taiwan Dollars)

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
Cash flows from operating activities		
Net income	\$52,571	(\$110,590)
Adjustments for:		
Reversal of expected credit impairment loss	(10,107)	0
Provision(Reversal) for doubtful accounts	0	5,306
Depreciation	15,831	21,263
Amortization	3,055	4,206
Loss (gain) on available-for-sale financial assets	(234)	(538)
Interest revenue	(1,228)	(1,023)
Financial Cost	884	168
Loss (gain) on disposal of property, plant and equipment	0	20
Loss (gain) on disposal of Investment	0	(10)
Loss on market price decline and obsolete and slow-moving inventories	8,184	15,081
Unrealized foreign exchange loss (gain)	427	2,267
Decrease (increase) in available-for-sale financial assets	0	20,557
Decrease (increase) in financial asset at fair value through profit or loss	12,355	0
Decrease (increase) in notes receivable	(1,179)	3,278
Decrease (increase) in accounts receivable	(119,862)	(88,577)
Decrease (increase) in other receivables	(320)	(2,347)
Decrease (increase) in inventories	(139,617)	(58,742)
Decrease (increase) in other current assets	(2,917)	17,752
Decrease (increase) in notes payable	5	0
Decrease (increase) in accounts payable	103,399	43,579
Decrease (increase) in other accounts payables	13,899	(8,442)
Decrease (increase) in other current liabilities	5,552	1,120
Decrease (increase) in net defined benefit liability	1	(7)
Interest received	1,219	908
Income tax paid	(30)	(11,799)
Net cash provided by (used in) operating activities	<u>(58,112)</u>	<u>(146,570)</u>
Cash flows from investing activities		
Financial assets at amortized cost	(14,272)	0
Acquisition of bond investments without active market	0	(11,398)
Loss (gain) on disposal of financial assets carried at cost	0	10
Acquisition of property, plant and equipment	(5,810)	(10,770)
Acquisition of Intangible assets	(6,009)	(1,401)
Decrease (increase) in other financial assets	(7)	(6)
Decrease (increase) in other non-current assets	(4,545)	(12,787)
Net cash used in investing activities	<u>(30,643)</u>	<u>(36,352)</u>
Cash flows from financing activities		
Short-term Loan	110,000	75,000
Cash Dividends	0	(68,489)
Interest Expense	(883)	(168)
Increase (decrease) in non-controlling interests	0	1,000
Net cash used in financing activities	<u>109,117</u>	<u>7,343</u>
Effect of exchange rate changes	<u>(771)</u>	<u>(1,909)</u>
Net decrease in cash and cash equivalents	19,591	(177,488)
Cash and cash equivalents at Beginning of Period	205,412	345,946
Cash and cash equivalents at End of Period	<u>\$225,003</u>	<u>\$168,458</u>