



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

	December 31,2013		September 30,2013		December 31,2012		QoQ		YoY	
Current assets										
Cash and cash equivalents	212,449	17%	190,318	15%	244,675	19%	22,131	12%	(32,226)	-13%
Financial assets at fair value through profit or loss - currer	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	17,343	1%	20,520	2%	22,589	2%	(3,177)	-15%	(5,246)	-23%
Notes receivable, net	1,791	0%	1,354	0%	3,227	0%	437	32%	(1,436)	-44%
Accounts receivable, net	213,393	17%	242,118	19%	260,872	20%	(28,725)	-12%	(47,479)	-18%
Accounts receivable - related parties, net	0	0%	0	0%	0	0%	0	0%	0	0%
Other receivable	10,127	1%	9,779	1%	6,861	1%	348	4%	3,266	48%
Inventories, Net	491,597	39%	531,785	41%	465,913	36%	(40,188)	-8%	25,684	6%
Other current assets	22,604	2%	20,227	2%	13,834	1%	2,377	12%	8,770	63%
Total current assets	969,304	77%	1,016,101	78%	1,017,971	78%	(46,797)	-5%	(48,667)	-5%
Long-term investments										
Investments accounted for by the equity method	0	0%	0	0%	21	0%	0	0%	(21)	-100%
Financial assets carried at cost – noncurrent	5,098	0%	5,098	0%	7,969	1%	0	0%	(2,871)	-36%
Prepayments for investments	-	-	-	-	-	-	-	-	-	-
Total long-term investments	5,098	0%	5,098	0%	7,990	1%	0	0%	(2,892)	-36%
Property, plant and equipment										
Property, plant and equipment	162,452	13%	161,137	12%	167,619	13%	1,315	1%	(5,167)	-3%
Total property, plant and equipment	162,452	13%	161,137	12%	167,619	13%	1,315	1%	(5,167)	-3%
Intangible assets and other assets	121,175	10%	124,294	10%	109,348	8%	(3,119)	-3%	11,827	11%
Total assets	1,258,029	100%	1,306,630	100%	1,302,928	100%	(48,601)	-4%	(44,899)	-3%
LIABILITIES :										
Current liabilities										
Notes payable	6	0%	3	0%	10	0%	3	1	4	-40%
Accounts payable	66,335	5%	111,926	9%	119,416	9%	(45,591)	-41%	(53,081)	-44%
Accounts payable - related parties	5,174	0%	9,761	1%	5,423	0%	(4,587)	-47%	(249)	-5%
Other payable	152,592	12%	149,845	11%	128,545	10%	2,747	2%	24,047	19%
Other payable - related parties	0	0%	42	0%	471	0%	(42)	-100%	(471)	-100%
Income tax payable	6,587	1%	6,587	1%	35,862	3%	0	0%	(29,275)	-82%
Current provisions	960	0%	752	0%	1,173	0%	208	28%	(213)	-18%
Long-term liabilities-current portion	5,855	0%	5,801	0%	0	0%	54	1%	5,855	0%
Other current liabilities	9,134	1%	7,535	1%	13,271	1%	1,599	21%	(4,137)	-31%
Total current liabilities	246,643	20%	292,252	22%	304,171	23%	(45,609)	-16%	(57,528)	-19%
Non-current liabilities										
Long-term loans liabilities	20,795	2%	22,291	2%	0	0%	(1,496)	-7%	20,795	0%
Deferred tax liabilities	416	0%	0	0%	0	0%	416	0%	416	0%
Accrued pension liabilities	21,487	2%	23,149	2%	23,149	2%	(1,662)	-7%	(1,662)	-7%
Total non-current liabilities	42,698	3%	45,440	3%	23,149	2%	(2,742)	-6%	19,549	84%
Total liabilities	289,341	23%	337,692	26%	327,320	25%	(48,351)	-14%	(37,979)	-12%
SHAREHOLDERS' EQUITY :										
Capital stock	709,811	56%	709,811	54%	709,811	54%	0	0%	0	0%
Capital surplus	4,624	0%	4,624	0%	1,101	0%	0	0%	3,523	320%
Share-based Payments	0	0%	0	0%	0	0%	0	0%	-	0%
Retained earnings	338,442	27%	338,739	26%	353,785	27%	(297)	0%	(15,343)	-4%
Others-cumulative translation adjustments	1,032	0%	367	0%	(1,070)	0%	665	181%	2,102	-196%
Treasury stock	(89,645)	-7%	(89,645)	-7%	(89,645)	-7%	0	0%	0	0%
Non-controlling interests	4,424	0%	5,042	0%	1,626	0%	(618)	-12%	2,798	172%
Total shareholders' equity	968,688	77%	968,938	74%	975,608	75%	(250)	0%	(6,920)	-1%
Total liabilities and shareholders' equity	1,258,029	100%	1,306,630	100%	1,302,928	100%	(48,601)	-4%	(44,899)	-3%



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Year Ended December 31, 2013 and 2012
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2013		2012		YoY	
Net Sales	1,431,354	100%	1,534,215	100%	(102,861)	-7%
Cost of Goods Sold	(812,322)	-57%	(898,610)	-59%	86,288	-10%
Gross Profit	619,032	43%	635,605	41%	(16,573)	-3%
Unrealized Profit	0	0%	0	0%	0	0%
Realized Profit	0	0%	0	0%	0	0%
Realized Gross Profit	619,032	43%	635,605	41%	(16,573)	-3%
Operating Expenses						
Sales and Marketing Expenses	(235,969)	-16%	(223,313)	-15%	(12,656)	6%
General and Administrative Expenses	(90,558)	-6%	(112,971)	-7%	22,413	-20%
Research and Development Expenses	(270,506)	-19%	(182,251)	-12%	(88,255)	48%
Total operating expenses	(597,033)	-42%	(518,535)	-34%	(78,498)	15%
Operating Income	21,999	2%	117,070	8%	(95,071)	-81%
Non-operating Income						
Interest income	1,447	0%	2,045	0%	(598)	-29%
Investment income recognized under equity method	0	0%	7	0%	(7)	-100%
Dividend income	0	0%	0	0%	0	0%
Gain on disposal of property, plant and equipment	0	0%	451	0%	(451)	-100%
Gain on disposal of available-for-sale financial assets	17,038	1%	0	0%	17,038	0%
Gain on physical inventory	0	0%	0	0%	0	0%
Exchange gain, net	9,825	1%	0	0%	9,825	0%
Reversal of Bad Debt Expenses	0	0%	0	0%	0	0%
Gain on financial asset at fair value through profit or loss	0	0%	199	0%	(199)	-100%
Miscellaneous income	2,863	1%	2,110	1%	753	36%
Total non-operating income and gains	31,173	3%	4,812	1%	26,361	548%
Non-operating expenses and losses						
Interest expense	(373)	0%	(71)	0%	(302)	425%
Investment loss recognized under equity method	(62)	0%	0	0%	(62)	0%
Investment Impairment loss recognized under equity method	0	0%	(5,962)	0%	5,962	-100%
Loss on disposal of property, plant and equipment	(74)	0%	(168)	0%	94	-56%
Exchange loss, net	0	0%	(14,121)	-1%	14,121	-100%
Miscellaneous expenses	(9)	0%	0	0%	(9)	0%
Total non-operating expenses and losses	(518)	0%	(20,322)	-1%	19,804	-97%
Income before income tax	52,654	5%	101,560	10%	(48,906)	-48%
Income tax expense (benefit)	(9,607)	-1%	(21,282)	-1%	11,675	-55%
Net income	43,047	3%	80,278	5%	(37,231)	-46%
Other comprehensive income						
Exchange differences on translation	2,532	0%	(1,289)	0%	3,821	-296%
Actuarial gains and losses of defined benefit plans	1,711	0%	(2,345)	0%	4,056	-173%
Other comprehensive income	(721)	0%	618	0%	(1,339)	-217%
Other comprehensive income, net	3,522	0%	(3,016)	0%	6,538	-217%
Total comprehensive income	46,569	3%	77,262	5%	(30,693)	-40%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	51,726		81,002		(29,276)	
Profit (loss), attributable to non-controlling interests	(8,679)		(724)		(7,955)	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	55,248		77,986		(22,738)	
Comprehensive income, attributable to non-controlling interests	(8,679)		(724)		(7,955)	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	0.76		1.18		-	0.43
Diluted Earnings Per Share After Income Tax	0.75		1.17		-	0.43



CIPHERLAB CO.,LTD.

Consolidated Condensed Income Statements
For the Three Months Ended December 31,2013 , September 30,2013 and December 31 30,2012
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	4Q 2013		3Q 2013		4Q 2012		QoQ		YoY	
Net Sales	341,562	100%	383,843	100%	395,833	103%	(42,281)	-12%	(54,271)	-14%
Cost of Goods Sold	(189,960)	-56%	(228,189)	-59%	(257,671)	-67%	38,229	-20%	67,711	-30%
Gross Profit	151,602	44%	155,654	41%	138,162	36%	(4,052)	-3%	13,440	9%
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	151,602	44%	155,654	41%	138,162	36%	(4,052)	-3%	13,440	9%
Operating Expenses										
Sales and Marketing Expenses	(60,752)	-18%	(68,288)	-18%	(75,069)	-20%	7,536	-12%	14,317	-21%
General and Administrative Expenses	(23,430)	-7%	(12,841)	-3%	(17,375)	-5%	(10,589)	45%	(6,055)	47%
Research and Development Expenses	(74,489)	-22%	(71,443)	-19%	(35,831)	-9%	(3,046)	4%	(38,658)	54%
Total operating expenses	(158,671)	-46%	(152,572)	-40%	(128,275)	-33%	(6,099)	4%	(30,396)	20%
Operating Income	(7,069)	-2%	3,082	1%	9,887	3%	(10,151)	144%	(16,956)	-550%
Non-operating Income										
Interest income	312	0%	318	0%	354	0%	(6)	-2%	(42)	-13%
Investment income recognized under equity method	0	0%	0	0%	2	0%	0	0%	(2)	0%
Dividend income	-	0%	0	0%	0	0%	0	0%	0	0%
Gain on disposal of property, plant and equipment	0	0%	0	0%	303	0%	0	0%	(303)	0%
Gain on sale of investments, net	-	0%	17,038	4%	0	0%	17,038	0%	-	0%
Exchange gain, net	3,466	1%	0	0%	0	0%	3,466	100%	3,466	0%
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	574	1%	790	1%	508	1%	(216)	-38%	66	8%
Total non-operating income and gains	4,352	2%	18,146	5%	1,167	1%	(13,794)	-317%	3,185	18%
Non-operating expenses and losses										
Interest expense	(140)	0%	(155)	0%	(17)	0%	15	-11%	(123)	79%
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%	(5,962)	-2%	0	0%	5,962	0%
Loss on disposal of property, plant and equipment	(4)	0%	(70)	0%	(160)	0%	66	-1650%	156	-223%
Exchange loss, net	0	0%	(3,454)	-1%	(910)	0%	3,454	0%	910	-26%
Miscellaneous expenses	(9)	0%	0	0%	3	0%	(9)	100%	(12)	0%
Total non-operating expenses and losses	(153)	0%	(3,679)	-1%	(7,046)	-2%	3,526	-2305%	6,893	-187%
Income before income tax	(2,870)	0%	17,549	7%	4,008	5%	(20,419)	711%	(6,878)	-39%
Income tax expense (benefit)	535	0%	(4,976)	-1%	(2,973)	-1%	5,511	1030%	3,508	-70%
Net income	(2,335)	-1%	12,573	3%	1,035	0%	(14,908)	638%	(3,370)	-27%
Other comprehensive income										
Exchange differences on translation	800	0%	(437)	0%	(128)	0%	1,237	155%	928	-212%
Actuarial gains and losses of defined benefit plans	1,711	1%	0	0%	(2,345)	-1%	1,711	100%	4,056	0%
Other comprehensive income	(426)	0%	73	0%	420	0%	(499)	117%	(846)	-1159%
Other comprehensive income, net	2,085	1%	(364)	0%	(2,053)	-1%	2,449	117%	4,138	-1137%
Total comprehensive income	(250)	0%	12,209	3%	(1,018)	0%	(12,459)	4984%	768	6%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	(1,717)		19,275		998		(20,992)		(2,715)	
Profit (loss), attributable to non-controlling interests	(618)		(6,702)		37		6,084		(655)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	368		19,275		(1,055)		(18,907)		1,423	
Comprehensive income, attributable to non-controlling interest	(618)		(6,702)		37		6,084		(655)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	(0.03)		0.28		0.01		(0.31)		(0.04)	
Diluted Earnings Per Share After Income Tax	(0.03)		0.28		0.01		(0.31)		(0.04)	



CIPHERLAB CO.,LTD.
Consolidated Condensed Statements of Cash Flows
FOR THE YEAR ENDED DECEMBER 31,2013 AND 2012
(In Thousands of New Taiwan Dollars)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Net income	52,654	101,560
Provision(Reversal) for doubtful accounts	795	672
Depreciation	35,173	27,562
Amortization	20,696	20,039
Investment loss (income) recognized under equity method	62	(7)
Interest revenue	(1,447)	(2,045)
Gain on financial asset at fair value through profit or loss	0	(199)
Financial Cost	373	71
Loss (gain) on disposal of property, plant and equipment	74	(283)
Loss (gain) on sale of investments	(17,038)	0
Investment Impairment loss	0	5,962
Unrealized foreign exchange loss (gain)	(6,118)	4,203
Difference Between Net Pension Cost and Plan Contribution	49	76
Others	0	184
Changes in operating assets and liabilities:		
Notes receivable	1,436	552
Notes receivable – related parties	0	2,158
Accounts receivable	53,364	(7,475)
Accounts receivable – related parties	0	433
Other receivables	240	29,297
Inventories	(22,119)	35,912
Other current assets	(9,213)	10,552
Notes payable	(4)	10
Accounts payable	(52,805)	(14,398)
Accounts payable – related parties	(249)	(4,977)
Other payables	20,891	(47,331)
Other payables – related parties	(471)	471
Other current liabilities	(5,821)	(4,841)
Cash generated from operations	70,522	158,158
Interest received	1,476	2,070
Income tax paid	(40,507)	(33,540)
Net cash provided by (used in) operating activities	<u>31,491</u>	<u>126,688</u>
Cash flows from investing activities		
Proceeds from financial assets carried at cost at fair value	0	62,998
Proceeds from bond investments without active market	5,825	33,273
Proceeds from financial assets carried at cost	19,909	2,450
Acquisition of property, plant and equipment	(17,507)	(35,523)
Proceeds from property, plant and equipment	0	521
Acquisition of Intangible assets	(9,623)	(11,893)
Decrease (increase) in other financial assets	(7)	(6)
Decrease (increase) in other non-current assets	(18,229)	(27,849)
Net cash used in investing activities	<u>(19,632)</u>	<u>23,971</u>
Cash flows from financing activities		
Decrease (increase) in long-term loans	26,650	0
Capital Increase by cash of non-controlling interests	0	2,350
Cash dividends	(68,489)	(157,525)
Cash paid for acquisition of treasury stock	0	(25,182)
Interest paid	(350)	(71)
Net cash used in financing activities	<u>(42,189)</u>	<u>(180,428)</u>
Effect of exchange rate changes	<u>(1,896)</u>	<u>5,426</u>
Net decrease in cash and cash equivalents	(32,226)	(24,343)
Cash and cash equivalents at Beginning of Period	244,675	269,018
cash and cash equivalents at End of Period	<u>212,449</u>	<u>244,675</u>