

FAR EASTERN DEPARTMENT STORES, LTD.
BALANCE SHEETS
December 31, 2012 AND 2011
(In thousands of New Taiwan Dollars, Expect Par Value)

C o d e	ASSETS	2012/ 12/31		2011/ 12/31		C o d e	LIBILITIES AND STOCKHOLDERS' EQUITY	2012/ 12/31		2011/ 12/31	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash	\$ 870,675	2	\$ 566,057	1	2100	Short-term debts	\$ 2,500,000	4	\$ 4,400,000	8
1320	Available-for-Sale financial assets – current	254,779	-	233,559	-	2110	Short-term notes and bill payable	1,699,455	3	1,699,268	3
1120	Notes	30,439	-	38,768	-	2140	Notes and accounts payable	3,848,239	7	3,132,810	5
1140	Accounts receivable, net of allowance for doubtful accounts of NT \$3,575 thousands in 2012 and 3,550 thousands in 2011	495,705	1	469,848	1	2150	Accounts payable - related parties	89,723	-	82,106	-
1150	Related parties - notes and accounts receivables	14,187	-	52,118	-	2190	Other payables - related parties	732,133	1	651,106	1
1180	Related parties - others	414,799	1	306,523	-	2160	Income tax payable	-	-	38,262	-
1160	Other receivables	118,471	-	98,523	-	2228	Other payables	1,608,264	3	3,287,517	6
120X	Inventories	430,141	1	372,957	1	2260	Advanced receipts	2,233,798	4	1,679,299	3
1260	Prepayments	252,803	-	323,090	1	2271	Current portion of Bonds issued	1,200,000	2	-	-
1286	Deferred tax assets-current	5,749	-	4,024	-	2272	Current portion of long-term borrowings	600,000	1	-	-
1298	Other current assets	5,720	-	17,363	-	2280	Other current liability	712,792	1	855,765	1
11XX	Total current assets	<u>2,893,468</u>	<u>5</u>	<u>2,482,830</u>	<u>4</u>	21XX	Total current liability	<u>15,224,404</u>	<u>26</u>	<u>15,826,133</u>	<u>27</u>
	LONG-TERM INVESTMENTS						LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
1421	investments accounted for by the equity method	19,634,717	33	19,356,620	33	2410	Bonds issued	3,454,937	6	4,616,958	8
1450	Available-for-sale financial assets-non current	2,812,603	5	2,577,430	5	2420	Long-term borrowings	11,696,733	19	9,696,646	17
1480	Financial assets carried at cost - noncurrent	62,570	-	62,570	-	24XX	Total long-term liabilities	<u>15,151,670</u>	<u>25</u>	<u>14,313,604</u>	<u>25</u>
14XX	Total long-term investments	<u>22,509,890</u>	<u>38</u>	<u>21,996,620</u>	<u>38</u>		Reserve				
	PROPERTY					2510	Reserve for land revaluation increment tax	508,719	1	508,719	1
	Cost						Other liabilities				
1501	Land	6,995,873	12	6,995,873	12	2820	Deposits received	38,403	-	40,632	-
1521	Buildings and equipment	14,294,377	24	14,081,814	24	2860	Deferred tax liabilities - noncurrent	355,994	1	201,548	-
1531	Furniture and equipment	6,179,105	11	5,815,882	10	2881	Deferred credits	11,366	-	11,366	-
15X1	Total cost	27,469,355	47	26,893,569	46	28XX	Other current liability	405,763	1	253,546	-
15X8	Revaluation increment	1,408,269	2	1,408,269	3		Total liability	<u>31,290,556</u>	<u>53</u>	<u>30,902,002</u>	<u>53</u>
15XY	Cost and appreciation	28,877,624	49	28,301,838	49		STOCKHOLDERS' EQUITY				
15X9	Less: Accumulated depreciation	6,252,880	11	5,270,671	9		Capital stock, NT\$ 10.00 par value				
1670	Construction in progress and prepayments for equipment	2,764,099	5	1,822,511	3		Authorized - 1,750,000 thousand shares issued and outstanding-1,369,880 thousands shares in 2012 and 1,317,192 thousand shares in 2011	13,698,797	23	13,171,921	23
1681	Leasehold rights, net	7,215,010	12	7,584,367	13		Capital surplus:				
15XX	Net properties	<u>32,603,853</u>	<u>55</u>	<u>32,438,045</u>	<u>56</u>	3210	Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	4
	OTHER ASSETS					3220	Treasury stock transactions	1,213,526	2	1,213,526	2
1810	Idle assets, net	561,047	1	567,439	1	3260	Long-term investments	364,937	1	364,937	1
1820	Refundable deposits	163,445	-	163,565	-	3272	Stock warrants	108,930	-	108,930	-
1840	Prepaid pension cost	262,930	1	245,449	1	32XX	Total Capital Surplus	<u>3,863,111</u>	<u>7</u>	<u>3,863,111</u>	<u>7</u>
1880	Miscellaneous	35,785	-	45,127	-		Retained earnings:				
18XX	Total other assets	<u>1,023,207</u>	<u>2</u>	<u>1,021,580</u>	<u>2</u>	3310	Legal reserve	2,189,631	4	1,975,319	3
						3320	Special reserve	1,069,595	2	1,069,595	2
						3350	Unappropriated earnings	2,662,417	4	3,027,939	5
						33XX	Total retained earnings	<u>5,921,643</u>	<u>10</u>	<u>6,072,853</u>	<u>10</u>
							Other equity adjustments				
						3420	Cumulative translation adjustments	(270,769)	-	(14,294)	-
						3430	Net losses not recognized as pension costs	(64,589)	-	(20,949)	-
						3450	Unrealized valuation gains on financial instruments	3,785,134	6	3,157,896	5
						3460	Unrealized asset revaluation increment	843,305	1	843,305	2
						3480	Treasury Stock – 7,812 thousand shares in 2012 and 7,511 thousand shares in 2011	(36,770)	-	(36,770)	-
						34XX	Total other equity adjustments	<u>4,256,311</u>	<u>7</u>	<u>3,929,188</u>	<u>7</u>
						3XXX	Total Stockholders' equity	<u>27,739,862</u>	<u>47</u>	<u>27,037,073</u>	<u>47</u>
1XXX	Total	<u>\$ 59,030,418</u>	<u>100</u>	<u>\$ 57,939,075</u>	<u>100</u>		Total	<u>\$ 59,030,418</u>	<u>100</u>	<u>\$ 57,939,075</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF INCOME
YEAR ENDED December 31, 2012 AND 2011
(In thousands of New Taiwan Dollars, Except Par Value)

Code		2012		2011	
		Year ended December 31		Year ended December 31	
		Amount	%	Amount	%
	REVENUES				
4100	Sales	\$ 38,704,716	99	\$ 27,339,765	99
4800	Other operating revenue	<u>423,349</u>	<u>1</u>	<u>300,884</u>	<u>1</u>
4000	Total Revenues	<u>39,128,065</u>	<u>100</u>	<u>27,640,649</u>	<u>100</u>
	COSTS				
5110	Cost of goods sold	31,772,333	81	22,115,164	80
5800	Other operating costs	<u>140,617</u>	<u>1</u>	<u>59,269</u>	<u>-</u>
5000	Total costs	<u>31,912,950</u>	<u>82</u>	<u>22,174,433</u>	<u>80</u>
5910	GROSS PROFIT	<u>7,215,115</u>	<u>18</u>	<u>5,466,216</u>	<u>20</u>
	OPERATING EXPENSES				
6100	Selling	1,513,220	4	1,140,866	4
6200	General and administrative	<u>4,557,394</u>	<u>11</u>	<u>3,135,861</u>	<u>11</u>
6000	Total operating expenses	<u>6,070,614</u>	<u>15</u>	<u>4,276,727</u>	<u>15</u>
6900	OPERATING INCOME	<u>1,144,501</u>	<u>3</u>	<u>1,189,489</u>	<u>5</u>
	NONOPERATING INCOME AND GAINS				
7121	Equity in earnings of equity-method investees, net	711,997	2	1,148,081	4
7122	Dividend income	168,790	1	146,820	1
7110	Interest income	3,616	-	1,605	-
7140	Gains on disposal of investments, net	-	-	4,962	-
7480	Other income	<u>118,819</u>	<u>-</u>	<u>98,475</u>	<u>-</u>

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Code		2012		2011	
		Year ended December 31	Year ended December 31	Year ended December 31	Year ended December 31
		Amount	%	Amount	%
7100	Total non-operating income and gains	<u>1,003,222</u>	<u>3</u>	<u>1,399,943</u>	<u>5</u>
	NONOPERATING EXPENSES AND LOSSES				
7510	Interest expense	201,005	1	79,401	1
7530	Loss on disposal of property, net	4,438	-	6,619	-
7631	Impairment losses on financial asset carried at cost	-	-	38,500	-
7880	Other expenses	<u>63,774</u>	<u>-</u>	<u>78,662</u>	<u>-</u>
7500	Total non-operating expenses and losses	<u>269,217</u>	<u>1</u>	<u>203,182</u>	<u>1</u>
7900	INCOME BEFORE INCOME TAX	1,878,506	5	2,386,250	9
8110	INCOME TAX (BENEFIT) EXPENSE	<u>185,648</u>	<u>1</u>	<u>243,135</u>	<u>1</u>
9600	NET INCOME	<u>\$ 1,692,858</u>	<u>4</u>	<u>\$ 2,143,115</u>	<u>8</u>
Code		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 1.38</u>	<u>\$ 1.24</u>	<u>\$ 1.75</u>	<u>\$ 1.57</u>
9850	Diluted	<u>\$ 1.38</u>	<u>\$ 1.24</u>	<u>\$ 1.75</u>	<u>\$ 1.57</u>

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Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks :

Code		2012		2011	
		Year ended December 31	Year ended December 31	Year ended December 31	Year ended December 31
		Before Tax	After Tax	Before Tax	After Tax
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 1.37</u>	<u>\$ 1.24</u>	<u>\$ 1.74</u>	<u>\$ 1.56</u>
9850	Diluted	<u>\$ 1.37</u>	<u>\$ 1.23</u>	<u>\$ 1.74</u>	<u>\$ 1.56</u>

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED December 31, 2012 AND 2011
(In thousands of New Taiwan Dollars)

	2012 Year ended <u>December 31</u>	2011 Year ended <u>December 31</u>
Cash Flows From Operating Activities		
Net incomes	\$1,692,858	\$2,143,115
Depreciation	1,053,416	403,283
Amortization of deferred charges	10,028	3,204
Amortization of leasehold rights included in rental expense	175,063	74,822
Equity in losses (earnings) of equity-method investees, net	(711,997)	(1,148,081)
Cash dividends from equity-method investees	504,630	1,166,581
Impairment losses on financial asset carried at cost	-	38,500
Gains on disposal of investments	-	(4,962)
Interest recognized on bonds payable	37,979	31,199
Loss (gain) on disposal of property and idle assets, net	4,438	6,619
Deferred income taxes	152,721	122,315
Increase in prepaid pension cost	(17,481)	(29,721)
Net changes in operating assets and liabilities		
Notes receivable	8,329	(23,252)
Accounts receivable	(25,857)	(273,908)
Related parties - notes and accounts receivable	37,931	(11,028)
Related parties - other receivable	36,135	(34,277)
Other receivables	(19,948)	(12,039)
Inventories	(57,184)	(165,360)
Prepayments	70,287	(60,655)
Other current assets	11,643	(2,359)
Accounts and notes payable	715,429	801,007
Related parties - accounts payable	7,617	20,721
Related parties - other payables	143,274	(9,484)
Income tax payable	(38,262)	(159,958)
Other payables	(37,444)	43,193
Advanced receipts	712,528	214,658
Other current liabilities	(<u>142,973</u>)	(<u>111,044</u>)
Net cash provided by operating activities	<u>4,323,160</u>	<u>3,245,177</u>
Cash Flows From Investing Activities		
Related parties - others receivable	(144,411)	-
Acquisition of investments accounted for by the using equity-method	-	(361,325)
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	2012 Year ended December 31	2011 Year ended December 31
Proceeds of available-for-sale financial assets	-	8,407
Proceeds of the disposal of property and idle assets, net	609	598
Acquisition of property	(3,254,930)	(4,955,966)
Decrease (increase) in refundable deposit	120	(4,422)
Increase in other assets	(686)	(40,463)
Net cash used in investing activities	(3,399,298)	(5,353,171)
Cash Flows From Financing Activities		
Increase (decrease) in short-term debts	(1,900,000)	1,250,000
Increase (decrease) in short-term notes and bills payable	187	399,812
Issuance of bonds	-	2,493,658
Increase(decrease) in long-term borrowings	2,600,087	(519,252)
Increase(decrease) in deposits received	(2,229)	2,683
Cash dividends	(1,317,289)	(1,242,674)
Net cash provided by (used in) financing activities	(619,244)	2,384,227
Net Increase (Decrease) in cash	304,618	276,233
Cash, Beginning of Year	<u>566,057</u>	<u>289,824</u>
Cash, End of Year	<u>\$ 870,675</u>	<u>\$ 566,057</u>
Supplement Cash Flow information		
Interest paid	\$ 242,766	\$ 387,476
Less: Capitalized interest	<u>73,388</u>	<u>183,265</u>
Interest paid, excluding capitalized interest	<u>\$ 169,378</u>	<u>\$ 204,211</u>
Income tax paid	<u>\$ 77,801</u>	<u>\$ 282,875</u>
Noncash investing and financing activities		
Adjustment to advance receipts and depreciation	<u>\$ 158,029</u>	<u>\$ 76,990</u>
Adjustment to the cost of leasehold rights and Other payables	<u>\$ 254,908</u>	<u>\$ -</u>
Current portion of Bonds issued	<u>\$1,200,000</u>	<u>\$ -</u>
Current portion of long-term borrowings	<u>\$ 600,000</u>	<u>\$ -</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 803,677	\$ 143,330
Acquisition of leasehold rights	60,614	1,687,384

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	2012 Year ended December 31	2011 Year ended December 31
	<u> </u>	<u> </u>
Increase in construction in progress and prepayments for equipment	941,588	5,898,398
Decrease (increase) in balance payable-property	1,386,804	(2,243,474)
Decrease (increase) in balance payable-property-related party	<u>62,247</u>	(<u>529,672</u>)
Cash paid	<u>\$3,254,930</u>	<u>\$4,955,966</u>

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