

FAR EASTERN DEPARTMENT STORES, LTD.
CONSOLIDATED 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	LIABILITIES AND STOCKHOLDERS' EQUITY	2012/12/31		2011/12/31	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents	\$ 17,746,686	16	\$ 16,535,391	15	2100	Short-term debts	\$ 9,613,446	8	\$ 10,334,680	9
1310	Financial assets at fair value through profit or loss										
	– current	361,327	-	303,286	-	2110	Short-term notes and bills payable	4,648,862	4	3,636,195	3
1320	Available-for-Sales financial assets – current	511,192	-	471,920	1	2140	Notes and accounts payable	19,056,842	17	18,229,154	17
1140	Notes of accounts receivable, net of allowance for doubtful accounts of NT 224,113 thousands in 2012 and 224,087 thousands in 2011.	1,519,986	1	1,401,757	1	2160	Income tax payable	563,223	1	1,152,903	1
1160	Other receivables	534,232	1	297,975	-	2228	Other payables	8,270,491	7	9,747,280	9
120X	Inventories	3,160,935	3	2,990,885	3	2260	Advanced receipts	6,561,507	6	5,859,052	5
1260	Prepayments	1,345,393	1	1,473,690	1	2271	Current portion of Bonds issued	1,200,000	1	-	-
1275	Non current assets classified as held for sale	-	-	1,128,997	1	2272	Current portion of long-term borrowings	1,600,000	1	3,020,717	3
1286	Deferred tax assets-current	297,907	-	166,104	-	2280	Other current liability	826,673	1	1,220,207	1
1291	Pledged time deposits	55,610	-	361,578	-	21XX	Total current liability	52,341,044	46	53,200,188	48
1298	Other current assets	70,656	-	98,273	-		LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
11XX	Total current assets	25,603,924	22	25,229,856	22	2410	Bonds issued	3,454,937	3	4,616,958	4
	LONG-TERM INVESTMENTS					2420	Long-term borrowings	21,992,207	19	18,490,187	17
1421	Investments accounted for by the equity method	8,813,288	8	8,750,526	8	24XX	Total long-term liabilities	25,447,144	22	23,107,145	21
1423	Real estate, net	1,117,257	1	-	-		RESERVE				
1450	Available-for-sale financial assets-non current	5,468,512	5	5,040,384	4	2510	Reserve for land revaluation increment tax	508,719	-	508,719	-
1480	Financial assets carried at cost – non current	697,030	-	658,550	1		OTHER LIABILITIES				
14XX	Total long-term investments	16,096,087	14	14,449,460	13	2810	Accrued pension costs	323,960	-	241,730	-
	PROPERTY					2820	Deposits received	567,678	1	587,463	1
	Cost					2860	Deferred tax liability-non current	432,450	-	395,517	-
1501	Land	11,587,168	10	9,534,993	8	2888	Miscellaneous	61,244	-	31,285	-
1521	Buildings and equipment	28,406,620	25	25,249,985	23	28XX	Total other liabilities	1,385,332	1	1,255,995	1
1531	Furniture and equipment	13,440,827	12	10,684,736	10	2XXX	Total liabilities	79,682,239	69	78,072,047	70
1631	Leasehold improvements	4,011,798	3	3,739,085	3		STOCKHOLDERS' EQUITY OF PARENT COMPANY				
15X1	Total cost	57,446,413	50	49,208,799	44		Capital stock, NT\$ 10.00 par value				
15X8	Revaluation increment	1,408,269	1	1,408,269	1	3110	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	12	13,171,921	12
15XY	Cost and appreciation	58,854,682	51	50,617,068	45		Capital surplus:				
15X9	Less: Accumulated depreciation	17,089,517	15	15,135,339	13	3210	Additional paid-in capital – share issuance in excess of par	2,175,718	2	2,175,718	2
		41,765,165	36	35,481,729	32	3220	Treasury stock transactions	1,213,526	1	1,213,526	1
1670	Construction in progress and prepayments for equipment	2,770,249	2	7,590,944	7	3260	Long-term investments	364,937	-	364,937	-
1681	Leasehold rights, net	10,849,281	10	11,399,927	10	3272	Stock warrants	108,930	-	108,930	-
15XX	Net property	55,384,695	48	54,472,600	49	32XX	Total Capital Surplus	3,863,111	3	3,863,111	3
	INTANGIBLE ASSETS					3310	Retained earnings				
1750	Computer software cost	71,080	-	52,971	-	3320	Legal reserve	2,189,631	2	1,975,319	2
1760	Goodwill	6,754,004	6	6,971,807	6	3320	Special reserve	1,069,595	1	1,069,595	1
1770	Deferred pension costs	121,881	-	124,931	-	3350	Unappropriated earnings	2,662,417	2	3,027,939	2
17XX	Total intangible assets	6,946,965	6	7,149,709	6	33XX	Total retained earnings	5,921,643	5	6,072,853	5
	OTHER ASSETS						Other equity adjustments				
1820	Refundable deposits – non current	1,721,908	2	1,833,994	2	3420	Cumulative translation adjustments	(270,769)	-	(14,294)	-
1810	Idle assets, net	561,047	1	567,439	1	3430	Net losses not recognized as pension costs	(64,589)	-	(20,949)	-
1850	Long-term prepayments	6,399,959	6	6,681,144	6	3450	Unrealized valuation gains on financial instruments	3,785,134	3	3,157,896	3
1840	Prepaid pension costs	262,930	-	245,449	-	3460	Unrealized asset revaluation increment	843,305	1	843,305	1
1860	Deferred tax assets – non current	61,664	-	67,480	-	3480	Treasury Stock – 7,812 thousand shares in 2012 and 7,511 thousand shares in 2011	(36,770)	-	(36,770)	-
1887	Restricted asset	1,646,580	1	1,239,719	1	34XX	Total other equity adjustment	4,256,311	4	3,929,188	4
1888	Miscellaneous	82,401	-	100,145	-		Total stockholders' equity of parent company	27,739,862	24	27,037,073	24
18XX	Total other assets	10,736,489	10	10,735,370	10	3610	Minority interest	7,346,059	7	6,927,875	6
	Total	\$ 114,768,160	100	\$ 112,036,995	100	3XXX	Total stockholders' equity	35,085,921	31	33,964,948	30
1XXX							Total	\$ 114,768,160	100	\$ 112,036,995	100

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

C o d e		2012		2011	
		YEAR ENDED December 31	YEAR ENDED December 31	YEAR ENDED December 31	YEAR ENDED December 31
		Amount	%	Amount	%
	REVENUES				
4110	Sales	\$123,037,699	98	\$111,656,903	98
4800	Other operating revenues	<u>3,025,529</u>	<u>2</u>	<u>2,811,544</u>	<u>2</u>
4000	Total revenues	<u>126,063,228</u>	<u>100</u>	<u>114,468,447</u>	<u>100</u>
	COSTS				
5110	Cost of goods sold	100,522,428	80	90,387,350	79
5800	Other operating costs	<u>348,886</u>	<u>-</u>	<u>174,572</u>	<u>-</u>
5000	Total costs	<u>100,871,314</u>	<u>80</u>	<u>90,561,922</u>	<u>79</u>
5910	GROSS PROFIT	<u>25,191,914</u>	<u>20</u>	<u>23,906,525</u>	<u>21</u>
	OPERATING EXPENSES				
6100	Selling	3,557,866	3	3,064,542	3
6200	General and administrative	<u>18,591,936</u>	<u>14</u>	<u>16,704,837</u>	<u>14</u>
6000	Total operating expenses	<u>22,149,802</u>	<u>17</u>	<u>19,769,379</u>	<u>17</u>
6900	OPERATING INCOME	<u>3,042,112</u>	<u>3</u>	<u>4,137,146</u>	<u>4</u>
	NONOPERATING INCOME AND GAINS				
7122	Dividend income	338,068	1	300,299	-
7121	Equity in earnings of equity-method investees, net	129,346	-	21,930	-
7110	Interest income	146,516	-	119,156	-
7140	Gain on disposal of investments, net	98,313	-	187,558	-

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C o d e		2012		2011	
		YEAR ENDED December 31	YEAR ENDED December 31	YEAR ENDED December 31	YEAR ENDED December 31
		Amount	%	Amount	%
7160	Exchange gain, net	-	-	32,648	-
7310	Valuation gain on financial instruments, net	11,330	-	-	-
7480	Other income	<u>304,726</u>	-	<u>731,153</u>	<u>1</u>
7100	Total non-operating income and gains	<u>1,028,299</u>	<u>1</u>	<u>1,392,744</u>	<u>1</u>
	NONOPERATING EXPENSES AND LOSSES				
7510	Interest expenses	626,658	1	498,914	1
7530	Loss on disposal of property and idle assets, net	15,950	-	49,115	-
7560	Exchange loss, net	6,212	-	-	-
7630	Impairment losses on financial asset	-	-	38,500	-
7640	Valuation loss on financial instruments, net	-	-	15,658	-
7880	Other expenses	<u>163,461</u>	-	<u>239,884</u>	-
7500	Total non-operating expenses and losses	<u>812,281</u>	<u>1</u>	<u>842,071</u>	<u>1</u>
7900	INCOME BEFORE INCOME TAX	3,258,130	3	4,687,819	4
8110	INCOME TAX	<u>751,839</u>	<u>1</u>	<u>1,526,591</u>	<u>1</u>
9600XX	NET INCOME	<u>\$ 2,506,291</u>	<u>2</u>	<u>\$ 3,161,228</u>	<u>3</u>
	ATTRIBUTED TO :				
9601	Stockholders of the parent	\$ 1,692,858	1	\$ 2,143,115	2
9602	Minority interest	<u>813,433</u>	<u>1</u>	<u>1,018,113</u>	<u>1</u>
		<u>\$ 2,506,291</u>	<u>2</u>	<u>\$ 3,161,228</u>	<u>3</u>

(Continued)

(Continued)

<u>C o d e</u>		2012		2011	
		<u>YEAR ENDED December 31</u>	<u>YEAR ENDED December 31</u>	<u>YEAR ENDED December 31</u>	<u>YEAR ENDED December 31</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
	CONSOLIDATED				
	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>

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS 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 income	\$ 2,506,291	\$ 3,161,228
Depreciation	2,509,379	1,611,830
Amortization of deferred charges	54,035	38,237
Amortization of leasehold rights included in rental expense	348,583	247,879
Valuation loss (gain) on financial instruments, net	(11,330)	15,658
Impairment losses on financial asset	-	38,500
Cash dividends from equity-method investees	68,843	194,241
Equity in (earnings) losses of equity-method investees, net	(129,346)	(21,930)
Loss on unrealized physical inventory and slow-moving inventories	9,565	16,989
Reversing Unrealized purchase discounts and allowances	(9,756)	14,623
Loss (gain) on disposal of investments, net	(98,313)	(187,558)
Loss (gain) on disposal of property and idle assets, net	15,950	49,115
Interest recognized on bonds payable	37,979	31,199
Amortization of long-term prepaid rent	281,185	281,185
Deferred income taxes	(89,054)	80,770
Prepaid pension cost	(17,481)	(29,721)
Accrued pension cost	85,280	18,018
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(53,918)	136,935
Notes and account receivable	(118,229)	(842,307)
Other receivables	(236,257)	81,557
Inventories	(169,859)	(502,830)
Prepayments	128,297	(39,978)
Other current assets	27,617	(62,980)
Notes and account payable	827,688	967,317
Income tax payable	(589,680)	112,017
Other payable	106,146	606,609
Advanced receipts	967,658	1,022,862
Other current liabilities	(<u>393,534</u>)	<u>383,682</u>
Net cash provided by operating activities	<u>6,057,739</u>	<u>7,423,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	-	(22,650)
(Continued)		

(Continued)	2012 YEAR ENDED <u>December 31</u>	2011 YEAR ENDED <u>December 31</u>
Proceeds from return of capital by investee	64,683	-
Decrease (Increase) in Pledged time deposits	305,968	29,204
Proceeds of the disposal of available-for-sale financial assets	-	310,317
Acquisition of financial assets carried at cost	(126,000)	(270,000)
Proceeds of the disposal of financial assets carried at cost	179,831	-
Acquisition of property	(5,697,672)	(7,092,606)
Proceeds of the disposal of property and idle assets, net	1,749	177,974
Acquisition of intangible assets	(9,245)	(7,142)
Decrease (Increase) in refundable deposits	112,086	(90,918)
Decrease (Increase) in restricted assets	(399,583)	2,018,519
(Increase) decrease in other assets	(<u>5,996</u>)	(<u>49,606</u>)
Net cash used in investing activities	(<u>5,574,179</u>)	(<u>4,996,908</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term debts	(721,234)	3,638,260
Increase (Decrease) in short-term notes and bills payable	1,012,667	(341,230)
Issuance of bonds	-	2,493,658
Increase (Decrease) in long-term borrowings	2,081,303	(843,591)
Increase (Decrease) in deposits received	(19,785)	91,951
Increase (Decrease) in other liabilities	29,959	(28,257)
Dividend paid to minority interest	(243,981)	(206,104)
Cash dividends	(<u>1,317,289</u>)	(<u>1,242,674</u>)
Net cash provided by financing activities	<u>821,640</u>	<u>3,562,013</u>
EFFECTS OF EXCHANGE RATE CHANGES	(<u>93,905</u>)	(<u>75,426</u>)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,211,295	5,912,826
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>16,535,391</u>	<u>10,622,565</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,746,686</u>	<u>\$ 16,535,391</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 696,812	\$ 870,270
Less : Capitalized interest	<u>79,147</u>	<u>186,152</u>
Interest paid, excluding capitalized interest	<u>\$ 617,665</u>	<u>\$ 684,118</u>
Income tax paid	<u>\$ 1,498,801</u>	<u>\$ 1,329,376</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
(Continued)		

(Continued)

	2012 YEAR ENDED December 31	2011 YEAR ENDED December 31
Financial assets at fair value through profit or loss reclassified to restricted asset	<u>\$ -</u>	<u>\$ 1,006,635</u>
Noncurrent assets reclassified as held for sale reclassified to Real estate	<u>\$ 1,128,997</u>	<u>\$ -</u>
Real estate reclassified to property	<u>\$ -</u>	<u>\$ 93,600</u>
Properties reclassified to Real estate	<u>\$ 18,399</u>	<u>\$ -</u>
Properties reclassified to Computer software cost	<u>\$ 59,954</u>	<u>\$ -</u>
Adjustment to the cost of leasehold rights and Other payables	<u>\$ 255,279</u>	<u>\$ -</u>
Adjustment to advance receipts and depreciation	<u>\$ 265,203</u>	<u>\$ 158,272</u>
Current portion of Long-term prepayments	<u>\$ 281,185</u>	<u>\$ 281,185</u>
Current portion of long-term borrowings	<u>\$ 1,600,000</u>	<u>\$ 3,020,717</u>
Current portion of bonds issued	<u>\$ 1,200,000</u>	<u>\$ -</u>
Dividend payable to minority interest (classified as other payables)	<u>\$ 196,074</u>	<u>\$ 220,685</u>
 CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 4,399,040	\$ 9,827,174
Decrease (Increase) in balance payable - property	<u>1,298,632</u>	<u>(2,734,568)</u>
Cash paid	<u>\$ 5,697,672</u>	<u>\$ 7,092,606</u>

(Concluded)