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MediaTek Inc. Reported Earnings Of Third Quarter FY05

Sales Revenue Of NT\$12,767 Million And Net Income Of NT\$5,962 Million

Surged By 28.0% And 43.1% Respectively From Previous Quarter

Revenue

Revenue was NT\$12,767 million for the third quarter of fiscal 2005 ended September 30, 2005, up 28.0% from 2Q05 and 14.1% from 3Q04. The remarkable top-line growth was fueled by strong seasonal demand for consumer products and successful mix shift to advanced wireless handset chipsets of high unit price.

During the quarter, consumer DVD player chipsets shipment had robust seasonality upon moderate price competition. Wireless handset chipsets shipment also continued to demonstrate sharp growing momentum from both market share and unit price perspectives, attributed to the embedded advanced image/video/audio technology. Meanwhile, DVD-Recorder chipsets shipment got warmed up recently. Optical storage chipsets shipment encountered mild on-season strength, which was yet offset by declined blended prices.

On top of those, MediaTek received license fee proceeds of US\$5 million paid from VIA Optical Solution Inc. in each third quarter of a year, which is categorized as part of revenue. Total revenue in the first three quarters of 2005 was NT\$31,756 million, grew 4.4% from NT\$30,423 million in the same period of 2004.

Gross Margin and Profit

Gross margin of the quarter was up to 55.7%, from that of 54.4% in 2Q05 and 51.9% in 3Q04. Pricing pressure from optical storage and consumer products continued to exist during the quarter, while profitability from core business has gotten good support. Principal factors that drove the margin improvement included on-going increased shipment portion of cost-down optical storage and consumer chipsets, consumption of stock reflecting wafer prices cut in previous quarters, lifted prices of wireless handset chipsets, as well as benefiting from USD appreciation on USD-denominated exports. Besides, the abovementioned one-shot license fee helped to leverage gross margin by 0.6%, which came out of the differential of gross margin with and without this proceeds. As such, gross profit was NT\$7,109 million, boosted by 31.0% from NT\$5,429 million in 2Q05 and 22.6% from NT\$5,800 million in 3Q04. Gross profit of the first three quarters in 2005 amounted NT\$16,748 million, grew by 9.1% from NT\$15,346 million in the same period of 2004.

Operating Expenses and Profit

Operating expenses for the quarter was NT\$1,455 million (11.4% of total revenue), similar to NT\$1,409 million (14.1% of total revenue) in 2Q05 whereas NT\$1,373million (12.3% of total revenue) in 3Q04. Major items included:

- R&D expenses of NT\$1,073 million in the quarter represented 8.4% of total sales revenue, slightly raised from NT\$1,017 million in 2Q05 and NT\$980 million in 3Q04, representing the company's commitment and investments for enduring business development.
- Selling expenses of NT\$131 million, up from NT\$59 million in 2Q05 and closed to NT\$154 million in 3Q04. Major element of the expenses was bad-debt allowance associated with period-end account receivables.
- Administration expenses of NT\$251 million, down from NT\$333 million in 2Q05 while slightly up from NT\$240 million in 3Q04, mainly due to reduced legal bills along with closed lawsuit with Zoran at U.S. International Trade Commission.

The company has retained streamlined operation and constantly reengineered cost management, albeit successful products transition and advanced technology development. The operating margin was well held at 44.3% in the quarter, compared with 40.3% in 2Q05 and 39.6% in 3Q04. Operating income of NT\$5,653 million surged by 40.7% from NT\$4,019 million in 2Q05, and 27.7% from NT\$4,427 million in 3Q04. Operating income of the first three quarters was totaled NT\$12,442 million, increased by 3.2% from NT\$12,061 million in the same period of 2004.

Non-Operating Profit and Loss

Net non-operating items remained minimum as usual, that was an income of NT\$188 million for 3Q05, compared with income of NT\$196 million in 2Q05 and loss of NT\$338 million in 3Q04. Major items included:

- Interest income of NT\$109 million, increased from NT\$92 million in 2Q05 and NT\$51 million in 3Q04, following constantly rising interest rate by the U.S. Fed as well as more investments portion in fixed-income repurchase markets.
- Investment income of NT\$60 million, compared with loss of NT\$42 million in 2Q05 and loss of NT\$41 million in 3Q04, mainly contributed by the equity-method investment profit of NT\$38 million from ALi Corp.
- Foreign exchange gain of NT\$46 million, compared with loss of NT\$25 million in 2Q05 and loss of NT\$18 million in 3Q04, which was attributed to recent rebound and significant appreciation of U.S. dollar.
- Inventory loss provision of NT\$29 million, compared with reversed provision of NT\$175 million in 2Q05 and provision of NT\$335 million in 3Q04, given slightly higher inventory amount prepared for the holiday seasonal demand.

Income Before / After Tax

Income before tax for the quarter achieved NT\$5,842 million, lifted by 38.6% from NT\$4,216 million in 2Q05 and 42.9% from NT\$4,089 million in 3Q04. Tax benefit of NT\$120 million was primarily attributed to tax credit for R&D investments. Net income ended NT\$5,962 million in the quarter, increased by 43.1% from NT\$4,166 million in 2Q05 and 41.0% from NT\$4,227 million in 3Q04. Net margin reached 46.7% for the quarter, compared with 41.8% in 2Q05 and 37.8% in 3Q04, which was another new high in consecutive three years. Net income of the first three quarters in 2005 was NT\$12,968 million, grew by 11.3% from NT\$11,647 million in the same period of 2004, which represented net margin of 40.8% and 38.3% respectively.

Earnings Per Share (EPS)

Earnings per share were NT\$6.95 for the quarter, compared with NT\$4.86 in 2Q05 and NT\$4.93 in 3Q04. Accumulated EPS were NT\$15.12 for the first three quarters of 2005, compared with NT\$13.58 in the same period of 2004. The aforesaid EPS were based on weighted average outstanding shares of 857,395,910 shares in 2005.

Balance Sheet Items

Cash and short-term investments amounted to NT\$28,215 million, which accounted for 50.6% of the company's assets, lower than NT\$31,529 million of 2Q05 mainly resulted by distribution of cash dividend, but further up from NT\$21,693 million in 3Q04.

Net notes & account receivables were NT\$4,646 million, which represented turnover of 31 days based on quarterly average gross receivables. The turnover was shortened from 35 days and 38 days respectively in 2Q05 and 3Q04. Net receivables were increased from NT\$3,678 million in 2Q05 while decreased from NT\$4,829 million in 3Q04.

Net inventory was NT\$2,582 million, which represented turnover of 45 days based on quarterly average gross inventory divided by annualized cost of goods sold. The inventory level was slightly higher than NT\$2,372 million in 2Q05 in order to cope with coming seasonal demand; yet curtailed considerably compared with NT\$4,895 million in 3Q04. Nevertheless, from turnover perspective, the liquidity has been significantly shortened from 52 days in previous quarter and 81 days of a year ago.

Recent Announcement

Sep. 29, 2005 The U.S. International Trade Commission ("ITC") affirmed that MediaTek's digital consumer DVD chipsets do not infringe two patents which had been asserted against MediaTek by Zoran Corp. and Oak Technology (collectively, "Zoran"). However, ITC found that certain MediaTek's old optical storage chipsets infringe Zoran's claim of U.S. Patent No. 6,584,527 ("527 patent"). MediaTek believes the impact of this final ruling is minimal, as it has developed design-around solutions to avoid infringement of the 527 patent, with thorough input from U.S. patent counsels. The ITC record also indicated that new chipsets are not found to be infringing in this investigation.

For more information regarding our recent announcement, please link to Taiwan Stock Exchange Market Observation Post System http://emops.tse.com.tw/emops_all.htm

Investor Conference

Date : Wednesday, November 2, 2005
Time : 2:00 p.m. Taipei Time
Location : Room 101, Association of Industries in Science Park
No.2, Prosperity Road One, Science and Industrial Park,
Hsin-Chu, Taiwan
Conducted in : Mandarin
Teleconference : Not available
Webcast : Not available

About MediaTek Inc.

MediaTek Inc. is a worldwide leading IC fabless company of digital media semiconductor solutions, including optical storage, digital consumer DVD, wireless handsets and digital television chipsets. Founded in 1997 and headquartered at Hsin-Chu, Taiwan, MediaTek is now the world's largest chipset supplier of DVD player, DVD-ReW, Combi, CD-RW, DVD-ROM, and CD-ROM. The Company's common stock is traded on the Taiwan Stock Exchange under the code "2454".

If you are interested in viewing additional information on MediaTek, please visit MediaTek's website www.mtk.com.tw or contact investor relations representative.

Q3 FY05 Income Statement – QoQ

Amount: NT\$Million	Q3 FY05		Q2 FY05		QoQ Chg %
	Amount	%	Amount	%	
Net Sales	12,767	100.0%	9,970	100.0%	28.0%
Cost of Goods Sold	(5,658)	(44.3%)	(4,542)	(45.6%)	
Gross Profit	7,109	55.7%	5,429	54.4%	31.0%
Selling expenses	(131)	(1.0%)	(59)	(0.6%)	
Administration expenses	(251)	(2.0%)	(333)	(3.3%)	
R&D expenses	(1,073)	(8.4%)	(1,017)	(10.2%)	
Operating Expenses	(1,455)	(11.4%)	(1,409)	(14.1%)	
Operating Income	5,653	44.3%	4,019	40.3%	40.7%
Interest income	109	0.9%	92	0.9%	
Investment income (loss)	60	0.5%	(42)	(0.4%)	
Foreign exchange gain (loss)	46	0.4%	(25)	(0.3%)	
Inventory loss provision	(29)	(0.2%)	0	0.0%	
Reversal of inventory loss provision	0	0.0%	175	1.8%	
Others	3	0.0%	(4)	(0.0%)	
Net Non-operating Income (Exp.)	188	1.5%	196	2.0%	
Income Before Income Tax	5,842	45.8%	4,216	42.3%	38.6%
Income tax expense	120	0.9%	(49)	(0.5%)	
Net Income	5,962	46.7%	4,166	41.8%	43.1%
EPS (NT\$)	6.95		4.86		43.1%

Q3 FY05 Income Statement – YoY

Amount: NT\$Million	Q3 FY05		Q3 FY04		YoY Chg %
	Amount	%	Amount	%	
Net Sales	12,767	100.0%	11,186	100.0%	14.1%
Cost of Goods Sold	(5,658)	(44.3%)	(5,386)	(48.1%)	
Gross Profit	7,109	55.7%	5,800	51.9%	22.6%
Selling expenses	(131)	(1.0%)	(154)	(1.4%)	
Administration expenses	(251)	(2.0%)	(240)	(2.1%)	
R&D expenses	(1,073)	(8.4%)	(980)	(8.8%)	
Operating Expenses	(1,455)	(11.4%)	(1,373)	(12.3%)	
Operating Income	5,653	44.3%	4,427	39.6%	27.7%
Interest income	109	0.9%	51	0.5%	
Investment income (loss)	60	0.5%	(41)	(0.4%)	
Foreign exchange gain (loss)	46	0.4%	(18)	(0.2%)	
Inventory loss provision	(29)	(0.2%)	(335)	(3.0%)	
Reversal of inventory loss provision	0	0.0%	0	0.0%	
Others	3	0.0%	5	0.0%	
Net Non-operating Income (Exp.)	188	1.5%	(338)	(3.0%)	
Income Before Income Tax	5,842	45.8%	4,089	36.6%	42.9%
Income tax expense	120	0.9%	138	1.2%	
Net Income	5,962	46.7%	4,227	37.8%	41.0%
EPS (NT\$)	6.95		4.93		41.0%

1~3Q FY05 Income Statement

Amount: NT\$Million	1~3Q FY05		1~3Q FY04		YOY Chg %
	Amount	%	Amount	%	
Net Sales	31,756	100.0%	30,423	100.0%	4.4%
Cost of Goods Sold	(15,008)	(47.3%)	(15,078)	(49.6%)	
Gross Profit	16,748	52.7%	15,346	50.4%	9.1%
Selling expenses	(252)	(0.8%)	(375)	(1.2%)	
Administration expenses	(861)	(2.7%)	(469)	(1.5%)	
R&D expenses	(3,192)	(10.1%)	(2,441)	(8.0%)	
Operating Expenses	(4,306)	(13.6%)	(3,285)	(10.8%)	
Operating Income	12,442	39.2%	12,061	39.6%	3.2%
Interest income	281	0.9%	136	0.4%	
Investment income (loss)	102	0.3%	91	0.3%	
Foreign exchange gain (loss)	(13)	(0.0%)	(25)	(0.1%)	
Inventory loss provision	0	0.0%	(446)	(1.5%)	
Reversal of inventory loss provision	161	0.5%	0	0.0%	
Others	6	0.0%	8	0.0%	
Net Non-operating Income (Exp.)	538	1.7%	(237)	(0.8%)	
Income Before Income Tax	12,980	40.9%	11,824	38.9%	9.8%
Income tax expense	(12)	(0.0%)	(177)	(0.6%)	
Net Income	12,968	40.8%	11,647	38.3%	11.3%
EPS (NT\$)	15.12		13.58		11.3%

Condensed Balance Sheet

Amount: NT\$Million	Sep. 30, FY05	Jun. 30, FY05	Sep. 30, FY04
Cash & Short-term investments	28,215	31,529	21,693
Notes & Account receivables (Net)	4,646	3,678	4,829
Inventory (Net)	2,582	2,372	4,895
Long – term investment	13,630	11,972	12,462
Total assets	55,739	55,178	47,741
Notes & Account payables	4,420	3,397	4,711
Current liabilities	8,123	14,090	7,034
Long – term liabilities	-	-	3
Stockholders' equity	47,559	40,999	40,635

Cash Flow Summary

Amount: NT\$Million	Q3 FY05	Q2 FY05	Q3 FY04
Cash Flow From Operations	6,519	4,469	3,873
Cash Flow From Investing	(3,258)	(437)	572
Cash Flow From Financing	(7,733)	(3)	(5,502)
Net Increase in Cash & Cash Equivalents	(4,472)	4,029	(1,057)
Cash & Cash Equivalents at Quarter End	25,534	30,007	21,156