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Contact: Mingto Yu, CFO & Spokesman

Website: [www.mtk.com.tw](http://www.mtk.com.tw)

**MediaTek Inc. Reports FY 2006 First Quarter Financial Results**

**Sales Revenue of NT\$11,094 Million and Net Income of NT\$5,150 Million**

**EPS of NT\$6.01 surging 81.3% from a year ago**

**Revenue**

Revenue was NT\$11,094 million for the first quarter of fiscal 2006 ended March 31, 2006, down 24.7% from NT\$14,735 million in 4Q05 and up 23.0% from NT\$9,019 million in 1Q05. The declined revenue from previous quarter was mainly attributed to price erosion of legacy products, shipment reduction resulted by longer new-year holidays in China, and traditional off-season effect. Nevertheless, the growth of revenue from the same period of last year was contributed by market share expansion of wireless communication handset chips.

**Gross Margin and Profit**

Gross margin of the quarter achieved 58.5%, sustained from that of 58.6% in 4Q05 and far surpassed 46.7% in 1Q05, which was mainly driven by continually manufacturing cost reduction and increasing shipment portion from higher-margin products. As such, gross profit was NT\$6,487 million, decreased by 24.9% from NT\$8,636 million in 4Q05 while surged by 54.1% from NT\$4,211 million in 1Q05.

**Operating Expenses and Profit**

Operating expenses for the quarter was NT\$1,393 million (12.6% of total revenue), compared with NT\$3,823 million (25.9% of total revenue) in 4Q05 whereas NT\$1,441 million (16.0% of total revenue) in 1Q05. Major items included:

- R&D expenses of NT\$974 million in the quarter represented 8.8% of total sales revenue, decreased from NT\$3,045 million in 4Q05 and NT\$1,103 million in 1Q05, to support advanced product technology development. The extraordinary expense in 4Q05 was resulted by accrual payable of the US\$55 million patent licensing fee to Zoran Corporation.
- Selling expenses of the quarter of NT\$207 million, lower than NT\$482 million in 4Q05 yet raised from NT\$61 million in 1Q05, primarily contributed to bad-debt allowance fluctuation associated with accounts receivables at period end and US\$3 million patent licensing fee paid to Zoran.
- Administration expenses of NT\$212 million, slightly lower than NT\$296 million in 4Q05 and NT\$277 million in 1Q05, contributed by trimmed litigation expenses.

Consequently, operating income of NT\$5,095 million increased by 5.9% from NT\$4,812 million in 4Q05, and boosted significantly by 84.0% from NT\$2,769 million in 1Q05.



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**Non-Operating Income and Loss**

Net non-operating items resulted in loss of NT\$56 million for 1Q05, compared with income of NT\$606 million in 4Q05 and income of NT\$154 million in 1Q05. Major items included:

- Interest income of NT\$138 million, increased from NT\$130 million in 4Q05 and NT\$80 million in 1Q05, attributed to interest rate hike of USD deposits and rising cash balance.
- Investment loss of NT\$273 million, compared with netted zero in 4Q05 and income of NT\$84 million in 1Q05, mainly from payment of patent licensing fee to Oak.
- Foreign exchange gain of NT\$64 million, compared with loss of NT\$25 million in 4Q05 and loss of NT\$33 million in 1Q05, as a result of USD appreciation.
- Inventory obsolescence provision of NT\$24 million, compared with reversed provision of NT\$78 million in 4Q05 and NT\$16 million in 1Q05 respectively.

**Income Before / After Tax**

Income before tax for the quarter achieved NT\$5,038 million, decreased by 7.0% from NT\$5,419 million in 4Q05 yet increased by 72.4% from NT\$2,923 million in 1Q05. Plus tax benefit of NT\$111 million, net income achieved NT\$5,150 million in the quarter, decreased by 2.9% from NT\$5,306 million in 4Q05 while increased remarkably by 81.3% from NT\$2,840 million in 1Q05.

**Earnings Per Share**

Earnings per share (EPS) were NT\$6.01 for the quarter, remained fairly stable from NT\$6.19 in 4Q05 and grew sharply from NT\$3.31 in 1Q05. The aforesaid EPS were based on weighted average outstanding shares of 857,395,910 shares at the end of 1Q06.

**Balance Sheet Items**

Cash and short-term investments amounted to NT\$33,525 million, which accounted for 52.0% of the company's assets, compared with NT\$32,596 million in 4Q05 and NT\$27,358 million in 1Q05.

Quarter-end net notes & accounts receivables were NT\$3,369 million, which represented turnover of 32 days based on quarterly average gross receivables. Net receivables were decreased from NT\$4,035 million in 4Q05 and NT\$3,537 million in 1Q05.



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Net inventory was NT\$4,646 million due to slowly shipment in the quarter, which represented turnover of 81 days based on quarterly average gross inventory divided by annualized cost of goods sold. The net inventory has been increased compared with NT\$3,236 million in 4Q05 and NT\$2,078 million in 1Q05.

**Recent Announcement**

Apr. 3, 2006 [MediaTek Inc. announced to hold annual general shareholders meeting on June 21, 2006 in Hsinchu, Taiwan](#)

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](http://emops.tse.com.tw/emops_all.htm)

**Investor Teleconference**

**Date** : Tuesday, April 25, 2006  
**Time** : 2:00 p.m. Taipei Time  
**Location** : Room 101, Association of Industries in Science Park  
No.2, Prosperity Rd. 1, Science Park, Hsinchu, Taiwan  
**Conducted in** : Mandarin

**About MediaTek Inc.**

MediaTek Inc. is a worldwide leading IC fabless company of digital media solution semiconductor, including optical storage, digital consumer DVD, wireless handsets and high-definition TV chipsets. Founded in 1997 and headquartered at Hsin-Chu Science Park, Taiwan, MediaTek is now the world's largest chipset supplier of CD-ROM, DVD-ROM, CD-RW, Combi, DVD-ReW and DVD player. 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](http://www.mtk.com.tw) on Investor Relations pages.

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Website: [www.mtk.com.tw](http://www.mtk.com.tw)**Q1 FY06 Income Statement – QoQ**

Amount: NT\$Million	Q1 FY06		Q4 FY05		QoQ Chg %
	Amount	%	Amount	%	
Net Sales	11,094	100.0%	14,735	100.0%	(24.7%)
Cost of Goods Sold	(4,607)	(41.5%)	(6,100)	(41.4%)	
Gross Profit	6,487	58.5%	8,636	58.6%	(24.9%)
Selling expenses	(207)	(1.9%)	(482)	(3.3%)	
Administration expenses	(212)	(1.9%)	(296)	(2.0%)	
R&D expenses	(974)	(8.8%)	(3,045)	(20.7%)	
Operating Expenses	(1,393)	(12.6%)	(3,823)	(25.9%)	
Operating Income	5,095	45.9%	4,812	32.7%	5.9%
Interest income	138	1.2%	130	0.9%	
Investment income (loss)	(273)	(2.5%)	(0)	(0.0%)	
Foreign exchange gain (loss)	64	0.6%	(25)	(0.2%)	
Inventory loss provision	(24)	(0.2%)	0	0.0%	
Reversal of inventory loss provision	0	0.0%	78	0.5%	
Others	39	0.3%	423	2.9%	
Net Non-operating Income (Exp.)	(56)	(0.5%)	606	4.1%	
Income Before Income Tax	5,038	45.4%	5,419	36.8%	(7.0%)
Income tax expense	111	1.0%	(113)	(0.8%)	
Net Income	5,150	46.4%	5,306	36.0%	(2.9%)
EPS (NT\$)	6.01		6.19		(2.9%)

**Q1 FY06 Income Statement – YoY**

Amount: NT\$Million	Q1 FY06		Q1 FY05		YoY Chg %
	Amount	%	Amount	%	
Net Sales	11,094	100.0%	9,019	100.0%	23.0%
Cost of Goods Sold	(4,607)	(41.5%)	(4,808)	(53.3%)	
Gross Profit	6,487	58.5%	4,211	46.7%	54.1%
Selling expenses	(207)	(1.9%)	(61)	(0.7%)	
Administration expenses	(212)	(1.9%)	(277)	(3.1%)	
R&D expenses	(974)	(8.8%)	(1,103)	(12.2%)	
Operating Expenses	(1,393)	(12.6%)	(1,441)	(16.0%)	
Operating Income	5,095	45.9%	2,769	30.7%	84.0%
Interest income	138	1.2%	80	0.9%	
Investment income (loss)	(273)	(2.5%)	84	0.9%	
Foreign exchange gain (loss)	64	0.6%	(33)	(0.4%)	
Inventory loss provision	(24)	(0.2%)	0	0.0%	
Reversal of inventory loss provision	0	0.0%	16	0.2%	
Others	39	0.3%	7	0.1%	
Net Non-operating Income (Exp.)	(56)	(0.5%)	154	1.7%	
Income Before Income Tax	5,038	45.4%	2,923	32.4%	72.4%
Income tax expense	111	1.0%	(83)	(0.9%)	
Net Income	5,150	46.4%	2,840	31.5%	81.3%
EPS (NT\$)	6.01		3.31		81.3%

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Amount: NT\$Million	Mar. 31, FY06	Dec. 31, FY05	Mar. 31, FY05
Cash & Short-term investments	33,525	32,596	27,358
Notes & Account receivables (net)	3,369	4,035	3,537
Inventory (net)	4,646	3,236	2,078
Long – term investment	14,080	14,387	11,944
Total assets	64,503	62,719	50,615
Notes & Account payables	3,983	4,957	2,726
Current liabilities	6,621	9,917	5,180
Long – term liabilities	-	-	-
Stockholders' equity	57,825	52,744	45,353

**Cash Flow Summary**

Amount: NT\$Million	Q1 FY06	Q4 FY05	Q1 FY05
Cash Flow From Operations	1,079	7,606	4,485
Cash Flow From Investing	(842)	(864)	(1,275)
Cash Flow From Financing	0	(871)	(3)
Net Increase in Cash & Cash Equivalents	237	5,871	3,207
Cash & Cash Equivalents at Quarter End	31,643	31,406	25,977