

VIA Technologies, Inc.

Financial Statements for the
Nine Months ended September 30, 2004 and 2003

VIA TECHNOLOGIES, INC.

BALANCE SHEETS

SEPTEMBER 30, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2004	2003	LIABILITIES AND STOCKHOLDERS' EQUITY	2004	2003
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Notes 2 and 3)	\$ 6,752,488	\$ 770,891	Notes payable	\$ 6,385	\$ 825
Short-term investments (Notes 2 and 4)	245,956	4,382,964	Accounts payable	4,317,651	3,308,147
Notes receivable, net (Note 2)	776,860	1,453,878	Notes and accounts payable to related parties (Note 23)	422,710	233,290
Accounts receivable, net (Notes 2 and 5)	2,326,927	2,213,402	Income tax payable (Notes 2 and 21)	90,003	32,853
Notes and accounts receivable from related parties, net (Notes 2, 6 and 23)	404,477	754,858	Accrued expenses (Notes 14 and 23)	612,673	1,072,156
Other receivables (Notes 7 and 23)	130,175	1,054,809	Current portion of long-term liabilities (Notes 16 and 17)	55,555	2,556,388
Other financial assets, current (Notes 8 and 28)	150,406	161,201	Other current liabilities (Notes 15, 23 and 28)	818,627	1,540,319
Inventories (Notes 2 and 9)	4,278,687	3,115,666			
Deferred tax asset, current (Notes 2 and 21)	286,268	311,533	Total current liabilities	6,323,604	8,743,978
Other current assets (Notes 2 and 23)	83,976	233,927			
Total current assets	15,436,220	14,453,129	LONG-TERM LIABILITIES:		
LONG-TERM INVESTMENTS (Notes 2 and 11):			Corporate bonds payable (Notes 2 and 16)	1,905,248	-
Long-term investments under equity method	8,639,737	11,611,144	Long-term capital lease liabilities (Note 17)	444,445	-
Long-term investments under cost method	317,295	557,414	Total long-term liabilities	2,349,693	-
Allowance for valuation losses of long-term equity investments	(30,088)	(11,102)	OTHER LIABILITIES (Notes 2 and 11)	216,650	203,411
Total long-term investments	8,926,944	12,157,456	Total liabilities	8,889,947	8,947,389
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 23):			STOCKHOLDERS' EQUITY:		
Land	962,605	942,061	Capital stock (Note 18)	12,704,467	12,704,467
Buildings and improvements	693,042	582,363	Stock dividend to distributed	813,996	-
Machinery and equipment	356,623	296,414	Capital surplus:		
Computer equipment	301,510	268,370	Additional paid-in capital	7,115,785	7,739,781
Research and development equipment	374,907	325,232	Gain on disposal of property, plant and equipment	-	1,770
Transportation equipment	8,119	8,119	Long-term equity investments (Note 11)	222,988	252,796
Furniture and fixtures	46,984	46,883	Retained earnings (Note 18):		
Leased assets	-	43,502	Legal reserve	1,708,059	1,708,059
Leasehold improvements	143,773	133,782	Special reserve	345,500	996,057
Subtotal	2,887,563	2,646,726	Accumulated deficit	(1,483,973)	(282,521)
Less accumulated depreciation	(1,058,868)	(812,975)	Unrealized valuation losses on long-term equity investments (Notes 2 and 11)	(90,409)	(126,102)
Prepayments on purchase of equipment, land and buildings	15,121	94,332	Cumulative translation adjustments (Note 2)	619,774	583,454
Property, plant and equipment, net	1,843,816	1,928,083	Treasury stock (Notes 2 and 19)	(2,640,263)	(1,937,547)
OTHER ASSETS:			Total stockholders' equity	19,315,924	21,640,214
Leased-out assets (Notes 2, 13 and 23)	567,589	575,417			
Refundable deposits (Notes 2 and 16)	11,906	12,505			
Deferred charges (Notes 2, 23 and 25)	652,378	820,914			
Deferred bond issuance costs	15,109	-			
Deferred tax asset (Notes 2 and 21)	751,909	640,099			
Total other assets	1,998,891	2,048,935			
TOTAL	\$ 28,205,871	\$ 30,587,603	TOTAL	\$ 28,205,871	\$ 30,587,603

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Per Share Data) (Reviewed, Not Audited)

	2004	2003
OPERATING REVENUES: (Note 2)		
Sales	\$ 15,463,567	\$ 16,343,248
Less:		
Sales returns	(142,362)	(80,341)
Sales discounts	<u>(852,786)</u>	<u>(1,067,413)</u>
Net sales (Note 23)	14,468,419	15,195,494
Other operating revenues (Note 23)	<u>16,947</u>	<u>16,003</u>
Total operating revenues	14,485,366	15,211,497
COST OF OPERATING REVENUES (Note 23)	<u>10,209,762</u>	<u>11,125,358</u>
GROSS PROFIT	4,275,604	4,086,139
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(82,285)	(19,304)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	<u>12,057</u>	<u>8,548</u>
REALIZED GROSS PROFIT	<u>4,205,376</u>	<u>4,075,383</u>
OPERATING EXPENSES (Note 23):		
General and administrative expenses	1,845,767	2,121,039
Research and development expenses	<u>1,822,011</u>	<u>1,791,323</u>
Total operating expenses	<u>3,667,778</u>	<u>3,912,362</u>
INCOME FROM OPERATIONS	<u>537,598</u>	<u>163,021</u>
NON-OPERATING INCOME:		
Interest income	22,927	67,976
Dividends income	958	-
Gain on disposal of property, plant and equipment	17,875	72,786
Gain on sale of investments (Note 11)	463,916	85,279
Gain on physical inventory	8,910	-
Foreign currency exchange gain	25,671	-
Rental income (Note 23)	36,210	33,711
Recovery from loss on short-term investment devaluation	14,160	15
Gain from price recovery of inventory	-	37,118
Other (Note 23)	<u>201,125</u>	<u>69,522</u>
Total non-operating income	<u>791,752</u>	<u>366,407</u>

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Per Share Data)
(Reviewed, Not Audited)

	2004	2003
NON-OPERATING EXPENSES:		
Interest expenses	79,325	162,811
Investment losses under equity method (Note 11)	2,643,974	1,970,095
Other investment losses (Note 11)	92,956	34,029
Loss on disposal of property, plant and equipment	461	99
Loss on physical inventory	-	9,398
Foreign currency exchange loss	-	79,318
Loss on inventory devaluation	231,707	-
Other	<u>14,233</u>	<u>18,143</u>
Total non-operating expenses	<u>3,062,656</u>	<u>2,273,893</u>
LOSS BEFORE INCOME TAX	(1,733,306)	(1,744,465)
INCOME TAX BENEFIT (Notes 2 and 21)	<u>59,848</u>	<u>29,646</u>
NET LOSS	<u>\$ (1,673,458)</u>	<u>\$ (1,714,819)</u>

	Before	After	Before	After
	Income Tax	Income Tax	Income Tax	Income Tax
BASIC LOSS PER SHARE (Note 22)	<u>\$(1.40)</u>	<u>\$(1.35)</u>	<u>\$(1.39)</u>	<u>\$(1.37)</u>
DILUTED LOSS PER SHARE (Note 22)	<u>\$(1.40)</u>	<u>\$(1.35)</u>	<u>\$(1.39)</u>	<u>\$(1.37)</u>

If the Company's stock held by subsidiaries is not considered as treasury stock:

NET LOSS	<u>\$(1,733,306)</u>	<u>\$(1,673,458)</u>	<u>\$(1,744,465)</u>	<u>\$(1,714,819)</u>
BASIC LOSS PER SHARE (Note 22)	<u>\$(1.38)</u>	<u>\$(1.33)</u>	<u>\$(1.37)</u>	<u>\$(1.35)</u>
DILUTED LOSS PER SHARE (Note 22)	<u>\$(1.38)</u>	<u>\$(1.33)</u>	<u>\$(1.37)</u>	<u>\$(1.35)</u>

(Concluded)

VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,673,458)	\$(1,714,819)
Depreciation	200,716	214,452
Amortization	393,673	626,706
Provision for redemption of convertible bonds	68,283	159,700
Gain on sale of long-term investment	(408,597)	(1,225)
Loss on disposal of property, plant and equipment	461	99
Gain on disposal of property, plant and equipment	(17,875)	(72,786)
Investment losses on equity-method investees	2,643,974	1,970,095
Gain on redemption of convertible bonds	(6,881)	-
Loss on long-term investments devaluation	92,956	34,029
Cash dividends on equity-method investees	418,830	30,203
Amortization of bonds issuance cost	559	-
Deferred tax benefit	(59,847)	(60,056)
Changes in assets and liabilities provided (used) cash:		
Notes receivable	(113,290)	778,277
Accounts receivable	(242,832)	(892,976)
Notes and accounts receivable from related parties	197,330	265,097
Other receivables	(1,286)	40,894
Other financial assets, current	(22,317)	12,522
Inventories	(874,096)	452,031
Other current assets	(6,632)	57,867
Notes payable	(3,074)	(4,120)
Accounts payable	851,185	(319,499)
Notes and accounts payable to related parties	108,750	(947,629)
Income tax payable	57,314	(99,502)
Accrued expenses	(363,675)	139,861
Other current liabilities	87,866	93,829
Other liabilities	24,177	23,621
Net cash provided by operating activities	<u>1,352,214</u>	<u>786,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in short-term investment	39,519	1,485,344
Acquisition of property, plant and equipment	(113,115)	(350,062)
Proceeds from disposal of property, plant and equipment	750	4,983
Payment for long-term investments	(2,420,829)	(1,320,886)
Proceeds from sale of long-term investments	2,578,444	14,207
Decrease (increase) in refundable deposits	656	(377)
Increase in deferred charges	(284,817)	(408,062)
Increase in deferred bond issuance costs	(15,668)	-
Decrease (increase) in current account with others	367,937	(790,963)
Net cash provided by (used in) investing activities	<u>152,877</u>	<u>(1,365,816)</u>

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VIA TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance corporate bonds payable	1,900,000	-
Redeemed convertible bonds	(2,344,393)	(2,467,078)
Increase in long-term loans	500,000	-
Decrease in long-term capital lease liabilities	(12,957)	(6,581)
(Decrease) increase in guarantee deposits received	(1,018)	809
Purchase of treasury stock	<u>(544,859)</u>	<u>(251,870)</u>
Net cash used in financing activities	<u>(503,227)</u>	<u>(2,724,720)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,001,864	(3,303,865)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,750,624</u>	<u>4,074,756</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,752,488</u>	<u>\$ 770,891</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION -		
Cash paid during the year for:		
Interest	<u>\$ 369,533</u>	<u>\$ 338,989</u>
Income tax	<u>\$ 33,042</u>	<u>\$ 139,181</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Current portion of long-term liabilities	<u>\$ 55,555</u>	<u>\$ 2,556,388</u>
Transfer of long-term investments to short-term investments	<u>\$ 267,215</u>	<u>\$ -</u>
Transfer of long-term investments to other liabilities	<u>\$ 12,537</u>	<u>\$ -</u>
Transfer of unappropriated earnings, additional paid-in capital and bonuses to employees to capital stock	<u>813,996</u>	<u>785,927</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 17,834</u>	<u>\$ 72,786</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:		
Increase in property, plant, equipment and leased-out assets	\$ 126,289	\$ 336,895
(Decrease) increase in payable due to acquisition of property, plant and equipment	<u>(13,174)</u>	<u>13,167</u>
Cash payment	<u>\$ 113,115</u>	<u>\$ 350,062</u>

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VIA TECHNOLOGIES, INC.

**STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	2004	2003
PURCHASE OF DEFERRED CHARGES:		
Increase in deferred charges	\$ 270,117	\$ 289,422
Decrease in payable due to acquisition of deferred charges	<u>14,700</u>	<u>118,640</u>
Cash payment	<u>\$ 284,817</u>	<u>\$ 408,062</u>
PURCHASE OF TREASURY STOCK:		
Purchase of treasury stock	\$ 600,595	\$ 302,993
Increase in payable due to acquisition of treasury stock	<u>(55,736)</u>	<u>(51,123)</u>
Cash payment	<u>\$ 544,859</u>	<u>\$ 251,870</u>
Bonuses to employees and directors' remuneration	\$ -	\$ -
Add payable due to employees bonuses and directors' remuneration, beginning of the period	75,975	75,975
Minus payable due to employees bonuses and directors' remuneration, end of the period	<u>(75,975)</u>	<u>(75,975)</u>
Cash payment	<u>\$ -</u>	<u>\$ -</u>
Cash dividends	\$ -	\$ 595,927
Add payable due to cash dividends, beginning of the period	-	-
Minus payable due to cash dividends, end of the period	<u>-</u>	<u>(595,927)</u>
Cash payment	<u>\$ -</u>	<u>\$ -</u>

(Concluded)