

**VIA Technologies, Inc.**

**Financial Statements for the  
Three Months Ended September 30, 2005 and 2004**

# VIA TECHNOLOGIES, INC.

## BALANCE SHEETS

SEPTEMBER 30, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 6,477,788	27	\$ 6,752,488	24	Notes payable	\$ 8,045	-	\$ 6,385	-
Short-term investments (Notes 2 and 5)	2,295	-	245,956	1	Accounts payable	4,214,059	18	4,317,651	15
Notes receivable, net (Note 2)	240,555	1	776,860	3	Notes and accounts payable to related parties (Note 24)	586,568	2	422,710	2
Accounts receivable, net (Notes 2 and 6)	2,381,424	10	2,326,927	8	Income tax payable (Notes 2 and 22)	138,332	1	90,003	-
Notes and accounts receivable from related parties, net (Notes 2, 7 and 24)	359,957	2	404,477	1	Accrued expenses (Notes 15 and 24)	551,443	3	612,673	2
Other receivable (Notes 8 and 24)	234,316	1	130,175	1	Current portion of long-term liabilities (Notes 2 and 18)	222,222	1	55,555	-
Other financial assets, current (Notes 2, 8, 24 and 27)	54,747	-	150,406	1	Other current liabilities (Notes 16, 24 and 29)	548,430	2	1,008,627	4
Inventories (Notes 2 and 9)	3,479,817	15	4,278,687	15	Total current liabilities	6,269,099	27	6,513,604	23
Deferred tax asset, current (Notes 2 and 22)	460,387	2	286,268	1	<b>LONG-TERM LIABILITIES</b>				
Other current assets (Note 11)	109,704	-	83,976	-	Corporate bonds payable (Notes 2 and 17)	1,904,902	8	1,905,248	7
Total current assets	13,800,990	58	15,436,220	55	Long-term capital lease liabilities (Note 18)	222,222	1	444,445	1
<b>LONG-TERM INVESTMENTS (Notes 2, 3 and 12)</b>					Total long-term liabilities	2,127,124	9	2,349,693	8
Long-term investments under equity method	6,860,360	29	8,639,737	31	<b>OTHER LIABILITIES (Notes 2 and 12)</b>	360,186	1	216,650	1
Long-term investments under cost method	94,443	1	317,295	1	Total liabilities	8,756,409	37	9,079,947	32
Loss allowance for excess of cost over market value of long-term investment	-	-	(30,088)	-	<b>STOCKHOLDERS' EQUITY</b>				
Total long-term investments	6,954,803	30	8,926,944	32	Common stock (Note 19)	13,333,803	56	12,704,467	45
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 24 and 28)</b>					Stock dividend to be distributed (Note 19)	-	-	629,336	2
Land	946,707	4	962,605	3	Capital surplus				
Buildings and improvements	657,734	3	693,042	3	Additional paid-in capital	4,335,927	18	7,110,445	25
Machinery and equipment	110,940	1	356,623	1	Gain on disposal of property, plant and equipment	221,611	1	222,988	1
Computer equipment	256,616	1	301,510	1	Long-term equity investments (Note 12)	-	-	-	-
Research and development equipment	343,741	1	374,907	1	Retained earnings (Note 19)				
Transportation equipment	7,421	-	8,119	-	Legal reserve	-	-	1,708,059	6
Furniture and fixtures	34,736	-	46,984	-	Special reserve	-	-	345,500	1
Leasehold improvements	29,596	-	143,773	1	Accumulated deficit	(737,957)	(3)	(1,483,973)	(5)
	2,387,491	10	2,887,563	10	Unrealized valuation losses on long-term equity investments (Notes 2 and 12)	(40,102)	-	(90,409)	-
Less accumulated depreciation	(706,367)	(3)	(1,058,868)	(4)	Cumulative translation adjustments (Note 2)	544,712	2	619,774	2
Prepayments on purchase of equipment, land and buildings	-	-	15,121	-	Treasury stock (Notes 2 and 20)	(2,760,205)	(11)	(2,640,263)	(9)
Property, plant and equipment, net	1,681,124	7	1,843,816	6	Total stockholders' equity	14,897,789	63	19,125,924	68
<b>OTHER ASSETS</b>					<b>TOTAL</b>	<b>\$23,654,198</b>	<b>100</b>	<b>\$28,205,871</b>	<b>100</b>
Leased-out assets (Notes 2, 13 and 24)	304,976	1	567,589	2					
Refundable deposits	12,048	-	11,906	-					
Deferred bond issuance cost (Note 2)	5,011	-	15,109	-					
Deferred charges (Note 2)	380,949	2	652,378	2					
Deferred tax asset, noncurrent (Notes 2 and 22)	514,297	2	751,909	3					
Total other assets	1,217,281	5	1,998,891	7					
<b>TOTAL</b>	<b>\$23,654,198</b>	<b>100</b>	<b>\$28,205,871</b>	<b>100</b>					

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated October 24, 2005)

## VIA TECHNOLOGIES, INC.

### STATEMENTS OF INCOME NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Except Earnings per Share) (Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES: (Note 2)				
Sales	\$13,160,823	106	\$15,463,567	107
Less				
Sales returns	(62,020)	(1)	(142,362)	(1)
Sales discounts	(643,367)	(5)	(852,786)	(6)
Net sales (Note 24)	12,455,436	100	14,468,419	100
Other operating revenues (Note 24)	3,402	-	16,947	-
Total operating revenues	12,458,838	100	14,485,366	100
COST OF OPERATING REVENUES (Note 24)	(9,719,165)	(78)	(10,209,762)	(70)
GROSS PROFIT	2,739,673	22	4,275,604	30
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(45,680)	(1)	(82,285)	(1)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	87,752	1	12,057	-
REALIZED GROSS PROFIT	2,781,745	22	4,205,376	29
OPERATING EXPENSES (Note 24)				
General and administrative expenses	1,536,591	12	1,845,767	13
Research and development expenses	1,833,196	15	1,795,618	12
Total operating expenses	3,369,787	27	3,641,385	25
(LOSS) INCOME FROM OPERATIONS	(588,042)	(5)	563,991	4
NON-OPERATING INCOME				
Interest income	34,643	-	22,927	-
Dividend income	5,802	-	958	-
Gain on disposal of property, plant and equipment (Note 12)	30,840	-	17,875	-
Gain on sale of investments	1,031,400	8	463,916	3
Gain on physical inventory	-	-	8,910	-
Foreign exchange gain	47,662	1	25,671	-
Rental income (Note 24)	30,894	-	36,210	1
Recovery from loss on short-term investments devaluation	-	-	14,160	-
Other (Note 24)	186,800	2	174,732	1
Total non-operating income	1,368,041	11	765,359	5

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**VIA TECHNOLOGIES, INC.**

**STATEMENTS OF INCOME**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars, Except Earnings per Share)  
(Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expenses	\$ 55,639	-	\$ 79,325	-
Investment losses under equity method (Notes 2 and 12)	1,180,127	10	2,643,974	18
Other investment losses (Note 12)	-	-	92,956	1
Loss on disposal of property, plant and equipment	73	-	461	-
Loss on physical inventory	648	-	-	-
Loss on inventory devaluation	181,330	1	231,707	2
Other	6,319	-	14,233	-
Total non-operating expenses	<u>1,424,136</u>	<u>11</u>	<u>3,062,656</u>	<u>21</u>
LOSS BEFORE INCOME TAX	(644,137)	(5)	(1,733,306)	(12)
INCOME TAX BENEFIT (Notes 2 and 22)	<u>4,522</u>	-	<u>59,848</u>	-
NET LOSS	<u>\$ (639,615)</u>	<u>(5)</u>	<u>\$ (1,673,458)</u>	<u>(12)</u>
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
BASIC LOSS PER SHARE (Note 23)	<u>\$ (0.50)</u>	<u>\$ (0.50)</u>	<u>\$ (1.33)</u>	<u>\$ (1.29)</u>
DILUTED LOSS PER SHARE (Note 23)	<u>\$ (0.50)</u>	<u>\$ (0.50)</u>	<u>\$ (1.33)</u>	<u>\$ (1.29)</u>
If the Company's stock held by subsidiaries is not considered as treasury stock:				
NET LOSS	<u>\$ (644,137)</u>	<u>\$ (639,615)</u>	<u>\$ (1,733,306)</u>	<u>\$ (1,673,458)</u>
BASIC LOSS PER SHARE (Note 23)	<u>\$ (0.50)</u>	<u>\$ (0.49)</u>	<u>\$ (1.31)</u>	<u>\$ (1.27)</u>
DILUTED LOSS PER SHARE (Note 23)	<u>\$ (0.50)</u>	<u>\$ (0.49)</u>	<u>\$ (1.31)</u>	<u>\$ (1.27)</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated October 24, 2005)

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## VIA TECHNOLOGIES, INC.

### STATEMENTS OF CASH FLOWS NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (639,615)	\$ (1,673,458)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization (including depreciation of leased-out assets)	464,679	567,996
Provision for redemption of convertible bonds	(259)	68,283
Gain on sale of long-term investment	(37,137)	(408,597)
Loss on disposal of property, plant and equipment	73	461
Gain on disposal of property, plant and equipment	(30,840)	(17,875)
Costs of property, plant and equipment expensed	1,103	-
Amortization of bond issuance costs	9,314	559
Investment losses on equity-method investees	1,180,127	2,643,974
Cash dividends on equity-method investees	399,961	418,830
Loss on long-term investment devaluation	-	92,956
Gain from redeemed convertible bonds	-	(6,881)
Accrued pension cost	20,615	30,758
Deferred tax benefit	(4,522)	(59,847)
Net changes in operating assets and liabilities		
Notes receivable, net	304,020	(113,290)
Accounts receivable, net	(745,071)	(242,832)
Notes and accounts receivable from related parties, net	(207,213)	197,330
Other receivable	(207,151)	(1,286)
Other financial assets, current	44,237	(22,317)
Inventories	665,624	(874,096)
Other current assets	(28,692)	(6,632)
Notes payable	2,416	(3,074)
Accounts payable	326,493	851,185
Notes and accounts payable to related parties	(233,292)	108,750
Income tax payable	-	57,314
Accrued expenses	(132,570)	(363,675)
Other current liabilities	(31,591)	87,866
Other liabilities	(5,787)	(6,581)
Net cash provided by operating activities	<u>1,114,922</u>	<u>1,325,821</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in short-term investments	213,445	39,519
Acquisition of property, plant, equipment and leased-out assets	(68,298)	(113,115)
Proceeds from disposal of property, plant, equipment and deferred charges	336,188	750
Payment for long-term investments	(1,694,140)	(2,420,829)
Proceeds from sale of long-term investments	272,048	2,578,444
(Increase) decrease in refundable deposits	(183)	656
Increase in deferred charges	(165,755)	(258,424)
Increase in deferred bond insurance costs	-	(15,668)
Decrease in current account with others	-	367,937
Net cash (used in) provided by investing activities	<u>(1,106,695)</u>	<u>179,270</u>

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**VIA TECHNOLOGIES, INC.**

**STATEMENTS OF CASH FLOWS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	2005	2004
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term bank loans	\$ -	\$ 500,000
(Decrease) increase in bonds payable	(55,556)	1,900,000
Decrease in long-term capital lease obligation	-	(12,957)
Decrease in convertible bonds	-	(2,344,393)
Payment for employees bonuses and directors' remuneration	(103,423)	-
Decrease in guarantee deposits received	(233)	(1,018)
Purchase of treasury stock	-	(544,859)
	<u>          </u>	<u>          </u>
Net cash used in financing activities	(159,212)	(503,227)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(150,985)	1,001,864
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>6,628,773</u>	<u>5,750,624</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 6,477,788</u>	<u>\$ 6,752,488</u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>		
Cash paid during the period		
Interest	\$ 67,074	\$ 369,533
Income tax	<u>\$ 2,080</u>	<u>\$ 33,042</u>
 <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Transfer of capital surplus to capital stock	<u>\$ -</u>	<u>\$ 629,336</u>
Transfer of long-term investments to short-term investments	<u>\$ -</u>	<u>\$ 267,215</u>
Current portion of long-term liabilities	<u>\$ 222,222</u>	<u>\$ 55,555</u>
Transfer of long-term investments to other liabilities	<u>\$ 90,487</u>	<u>\$ 12,537</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	<u>\$ 651</u>	<u>\$ 17,834</u>
Transfer of leased-out assets to property, plant and equipment	<u>\$ 27,175</u>	<u>\$ -</u>

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## VIA TECHNOLOGIES, INC.

### STATEMENTS OF CASH FLOWS NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant, equipment and leased-out assets	\$ 59,281	\$ 126,289
Decrease (increase) in payable for acquisition of property, plant and equipment	<u>9,017</u>	<u>(13,174)</u>
Cash payment	<u>\$ 68,298</u>	<u>\$ 113,115</u>
PURCHASE OF DEFERRED CHARGES		
Increase in deferred charges	\$ 20,370	\$ 243,724
Decrease in payable for acquisition of deferred charges	<u>145,385</u>	<u>14,700</u>
Cash payment	<u>\$ 165,755</u>	<u>\$ 258,424</u>
PURCHASE OF TREASURY STOCK		
Increase In treasury stock	\$ -	\$ 600,595
Increase in other payable	<u>-</u>	<u>(55,736)</u>
Cash payment	<u>\$ -</u>	<u>\$ 544,859</u>
BONUSES TO EMPLOYEES AND DIRECTORS' REMUNERATION		
Employees bonuses and directors' remuneration	\$ -	\$ 190,000
Add payable due to bonuses to employees and directors' remuneration, beginning of period	265,975	75,975
Minus payable due to bonuses to employees and directors' remuneration, end of period	<u>(162,552)</u>	<u>(265,975)</u>
Cash payment	<u>\$ 103,423</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche review report dated October 24, 2005)

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