

## Financial Statement Balance Sheet

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2017/06/30	2016/12/31	2016/06/30
<b>Balance Sheet</b>			
Assets			
Current assets			
Cash and cash equivalents			
Total cash and cash equivalents	34,713,490	37,874,245	32,325,626
Current financial assets at fair value through profit or loss			
Total current financial assets at fair value through profit or loss	563,030	522,701	425,926
Current bond investment without active market			
Total Current investments in debt instrument without active market	21,043	21,146	0
Accounts receivable, net			
Accounts receivable, net	3,067,708	3,059,082	2,888,364
Accounts receivable due from related parties, net			
Accounts receivable due from related parties, net	1,014,276	635,698	847,267
Other receivables			
Other receivables, net	268,418	410,109	236,740
Inventories			
Total inventories	5,842,551	4,552,166	4,040,269
Prepayments			
Total prepayments	164,058	98,275	100,572
Other current assets			
Total other current assets	65,881	783,255	835,126
Total current assets	45,720,455	47,956,677	41,699,890
Non-current assets			
Non-current available-for-sale financial assets			
Non-current available-for-sale financial assets, net	682,901	626,807	623,679
Held-to-maturity non-current financial assets			
Non-current held-to-maturity financial assets, net	264,377	277,419	1,475,947

Non-current financial assets at cost			
Non-current financial assets at cost, net	608,364	643,615	655,823
Investments accounted for using equity method			
Investments accounted for using equity method, net	311,711	322,962	339,560
Property, plant and equipment			
Total property, plant and equipment	3,196,540	3,192,717	3,242,290
Investment property, net			
Investment property, net	61,009	65,184	70,361
Intangible assets			
Total intangible assets	2,214,072	2,244,532	2,948,992
Deferred tax assets	110,533	148,821	143,285
Other non-current assets			
Total other non-current assets	43,227	41,074	43,220
Total non-current assets	7,492,734	7,563,131	9,543,157
Total assets	53,213,189	55,519,808	51,243,047
Liabilities and equity			
Liabilities			
Current liabilities			
Short-term borrowings			
Total short-term borrowings	17,898,016	20,717,937	15,766,022
Notes payable			
Total notes payable	5,911	4,769	7,415
Accounts payable			
Total accounts payable	5,368,467	4,575,944	4,811,336
Accounts payable to related parties			
Total accounts payable to related parties	283,880	269,374	256,362
Other payables			
Total other payables	8,029,009	5,710,105	7,372,717
Other payables to related parties	29,150	47,546	54,724
Current tax liabilities	346,243	406,792	349,608
Other current liabilities			
Total other current liabilities	69,923	83,861	402,945

Total current liabilities	32,030,599	31,816,328	29,021,129
Non-current liabilities			
Non-current provisions			
Total non-current provisions	858,316	845,406	813,643
Deferred tax liabilities			
Total deferred tax liabilities	18,347	21,063	4,927
Other non-current liabilities			
Total other non-current liabilities	9,350	12,239	34,672
Total non-current liabilities	886,013	878,708	853,242
Total liabilities	32,916,612	32,695,036	29,874,371
Equity			
Equity attributable to owners of parent			
Share capital			
Ordinary share	5,049,513	5,049,513	5,049,513
Total capital stock	5,049,513	5,049,513	5,049,513
Capital surplus			
Capital surplus, additional paid-in capital			
Total capital surplus, additional paid-in capital	3,395,265	3,910,428	3,910,428
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	18,205	0	0
Total capital surplus	3,413,470	3,910,428	3,910,428
Retained earnings			
Legal reserve	4,127,884	3,823,896	3,823,896
Unappropriated retained earnings (accumulated deficit)			
Total unappropriated retained earnings (accumulated deficit)	7,746,525	8,629,799	7,198,604
Total retained earnings	11,874,409	12,453,695	11,022,500
Other equity interest			
Exchange differences on translation of foreign financial statements			
Total exchange differences on translation of foreign financial statements	-212,926	1,298,139	1,275,986
Unrealized gains (losses) on available-for-sale financial assets			
Total unrealized gains (losses) on available-for-sale financial assets	162,520	103,410	100,650
Total other equity interest	-50,406	1,401,549	1,376,636

Total equity attributable to owners of parent	20,286,986	22,815,185	21,359,077
Non-controlling interests	9,591	9,587	9,599
Total equity	20,296,577	22,824,772	21,368,676
Total liabilities and equity	53,213,189	55,519,808	51,243,047
Number of share capital awaiting retirement	0	0	0
Equivalent issue shares of advance receipts for ordinary share	0	0	0
Number of shares in entity held by entity and by its subsidiaries	0	0	0

## Financial Statement Income Statement

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2017/2nd	2016/2nd	2017/01/01 To 2017/06/30	2016/01/01 To 2016/06/30
<b>Statement of comprehensive income</b>				
Operating revenue				
Total operating revenue	9,951,521	9,846,807	19,934,959	18,833,991
Operating costs				
Total operating costs	5,630,942	5,452,358	11,363,655	10,488,984
Gross profit (loss) from operations	4,320,579	4,394,449	8,571,304	8,345,007
Gross profit (loss) from operations	4,320,579	4,394,449	8,571,304	8,345,007
Operating expenses				
Selling expenses				
Total selling expenses	549,702	504,531	1,004,175	935,682
Administrative expenses				
Total administrative expenses	297,512	231,528	523,067	448,982
Research and development expenses				
Total research and development expenses	2,732,289	2,579,521	5,374,666	5,058,839
Total operating expenses	3,579,503	3,315,580	6,901,908	6,443,503
Net other income (expenses)				
Net other income (expenses)	1,524	1,554	3,082	3,387
Net operating income (loss)	742,600	1,080,423	1,672,478	1,904,891

Non-operating income and expenses				
Other income				
Total other income	200,493	197,382	376,997	369,805
Other gains and losses				
Other gains and losses, net	97,452	-115,328	-397,475	-434,197
Finance costs				
Finance costs, net	43,621	39,888	82,650	70,380
Share of profit (loss) of associates and joint ventures accounted for using equity method				
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	-6,579	-11,629	-22,990	-18,129
Total non-operating income and expenses	247,745	30,537	-126,118	-152,901
Profit (loss) from continuing operations before tax	990,345	1,110,960	1,546,360	1,751,990
Tax expense (income)				
Total tax expense (income)	56,799	93,198	105,837	143,336
Profit (loss) from continuing operations	933,546	1,017,762	1,440,523	1,608,654
Profit (loss)	933,546	1,017,762	1,440,523	1,608,654
Other comprehensive income				
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	135,411	-41,158	-1,511,065	-450,659
Unrealised gains (losses) on valuation of available-for-sale financial assets	38,265	-40,126	62,064	-49,801
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss				
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	279	-451	-2,954	-616
Components of other comprehensive income that will be reclassified to profit or loss	173,955	-81,735	-1,451,955	-501,076
Other comprehensive income, net	173,955	-81,735	-1,451,955	-501,076
Total comprehensive income	1,107,501	936,027	-11,432	1,107,578
Profit (loss), attributable to:				
Profit (loss), attributable to owners of parent	933,542	1,017,772	1,440,519	1,608,680
Profit (loss), attributable to non-controlling interests	4	-10	4	-26

Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	1,107,497	936,037	-11,436	1,107,604
Comprehensive income, attributable to non-controlling interests	4	-10	4	-26
Basic earnings per share				
Basic earnings (loss) per share from continuing operations	1.85	2.02	2.85	3.19
Total basic earnings per share	1.85	2.02	2.85	3.19
Diluted earnings per share				
Diluted earnings (loss) per share from continuing operations	1.84	1.98	2.81	3.12
Total diluted earnings per share	1.84	1.98	2.81	3.12

## Financial Statement Statements of Cash Flows

Financial year: Yearly  
Unit: NT\$ thousand

Accounting Title	2017/01/01 To 2017/06/30	2016/01/01 To 2016/06/30
<b>Statement of cash flows</b>		
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	1,546,360	1,751,990
Profit (loss) before tax	1,546,360	1,751,990
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	243,425	245,716
Amortization expense	544,212	609,513
Provision (reversal of provision) for bad debt expense	2,309	2,831
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	-8,403	-4,355
Interest expense	82,650	70,380
Interest income	-355,661	-319,306
Dividend income	0	0
Share of loss (profit) of associates and joint ventures accounted for using equity method	22,990	18,129
Loss (gain) on disposal of property, plan and equipment	-12,717	488
Loss (gain) on disposal of investments	0	0

Impairment loss on financial assets	0	0
Impairment loss on non-financial assets	0	0
Total adjustments to reconcile profit (loss)	518,805	623,396
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets held for trading	-49,340	566,366
Decrease (increase) in accounts receivable	-10,935	-192,179
Decrease (increase) in accounts receivable due from related parties	-378,578	285,291
Decrease (increase) in other receivable	-49,379	-24,275
Decrease (increase) in other receivable due from related parties	0	0
Decrease (increase) in inventories	-1,367,345	-791,975
Decrease (increase) in prepayments	-65,783	92,874
Total changes in operating assets	-1,921,360	-63,898
Changes in operating liabilities		
Increase (decrease) in notes payable	1,142	2,617
Increase (decrease) in accounts payable	792,523	960,140
Increase (decrease) in accounts payable to related parties	14,506	22,050
Increase (decrease) in other payable	65,597	72,379
Increase (decrease) in other payable to related parties	-18,396	603
Increase (decrease) in provisions	12,910	-23,246
Increase (decrease) in receipts in advance	-12,782	-21,364
Increase (decrease) in other current liabilities	-1,156	-8,472
Increase (decrease) in net defined benefit liability	-2,043	-28,640
Total changes in operating liabilities	852,301	976,067
Total changes in operating assets and liabilities	-1,069,059	912,169
Total adjustments	-550,254	1,535,565
Cash inflow (outflow) generated from operations	996,106	3,287,555
Interest received	546,731	432,374
Dividends received	0	0
Interest paid	-81,246	-70,612
Income taxes refund (paid)	-125,875	-88,518
Net cash flows from (used in) operating activities	1,335,716	3,560,799

Cash flows from (used in) investing activities		
Proceeds from disposal of available-for-sale financial assets	0	0
Acquisition of investments in debt instrument without active market	0	0
Proceeds from disposal of investments in debt instrument without active market	0	0
Acquisition of held-to-maturity financial assets	0	-161,148
Proceeds from disposal of held-to-maturity financial assets	0	49,512
Acquisition of financial assets at cost	0	-154,973
Proceeds from disposal of financial assets at cost	0	0
Proceeds from capital reduction of financial assets at cost	0	0
Acquisition of investments accounted for using equity method	-6,699	-50,000
Proceeds from disposal of investments accounted for using equity method	0	0
Net cash flow from acquisition of subsidiaries	0	0
Proceeds from capital reduction of investments accounted for using equity method	0	0
Acquisition of property, plant and equipment	-245,223	-180,585
Proceeds from disposal of property, plant and equipment	14,440	0
Increase in refundable deposits	-274	36,739
Acquisition of intangible assets	-852,463	-880,561
Increase in other non-current assets	715,495	537,378
Other investing activities	0	0
Net cash flows from (used in) investing activities	-374,724	-803,638
Cash flows from (used in) financing activities		
Increase in short-term loans	-2,656,764	2,313,865
Decrease in guarantee deposits received	-846	-915
Net cash flows from (used in) financing activities	-2,657,610	2,312,950
Effect of exchange rate changes on cash and cash equivalents	-1,464,137	-290,330
Net increase (decrease) in cash and cash equivalents	-3,160,755	4,779,781
Cash and cash equivalents at beginning of period	37,874,245	27,545,845
Cash and cash equivalents at end of period	34,713,490	32,325,626
Cash and cash equivalents reported in the statement of financial position	34,713,490	32,325,626

## Financial Statement Statements of Changes in Stockholders' Equity

Financial year: Yearly



Unit: NT\$ thousand

**2017/06/30**  
**Statement of Stockholders' Equity**

Unit: NT\$ thousand

	Ordinary share	Total share capital	Capital surplus	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Equity at beginning of period	5,049,513	5,049,513	3,910,428	3,823,896	8,629,799	12,453,695	1,298,139	103,410	1,401,549	22,815,185	9,587	22,824,772
Legal reserve appropriated	0	0	0	303,988	-303,988	0	0	0	0	0	0	0
Cash dividends of ordinary share	0	0	0	0	-2,019,805	-2,019,805	0	0	0	-2,019,805	0	-2,019,805
Changes in equity of associates and joint ventures accounted for using equity method	0	0	7,993	0	0	0	0	0	0	7,993	0	7,993
Cash dividends from capital surplus	0	0	-504,951	0	0	0	0	0	0	-504,951	0	-504,951
Profit (loss)	0	0	0	0	1,440,519	1,440,519	0	0	0	1,440,519	4	1,440,523
Other comprehensive income	0	0	0	0	0	0	-1,511,065	59,110	1,451,955	-1,451,955	0	-1,451,955
Total comprehensive income	0	0	0	0	1,440,519	1,440,519	-1,511,065	59,110	1,451,955	-11,436	4	-11,432
Total increase (decrease) in equity	0	0	-496,958	303,988	-883,274	-579,286	-1,511,065	59,110	1,451,955	-2,528,199	4	-2,528,195
Equity at end of period	5,049,513	5,049,513	3,413,470	4,127,884	7,746,525	11,874,409	-212,926	162,520	-50,406	20,286,986	9,591	20,296,577

**2016/06/30**

## Statement of Stockholders' Equity

Unit: NT\$ thousand

	Ordinary share	Total share capital	Capital surplus	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Equity at beginning of period	5,049,513	5,049,513	4,405,169	3,581,096	7,366,766	10,947,862	1,726,645	151,067	1,877,712	22,280,256	9,625	22,289,881
Legal reserve appropriated	0	0	0	242,800	-242,800	0	0	0	0	0	0	0
Cash dividends of ordinary share	0	0	0	0	-1,514,854	-1,514,854	0	0	0	-1,514,854	0	-1,514,854
Reversal of special reserve	0	0	0	0	0	0	0	0	0	0	0	0
Changes in equity of associates and joint ventures accounted for using equity method	0	0	10,210	0	-19,188	-19,188	0	0	0	-8,978	0	-8,978
Cash dividends from capital surplus	0	0	-504,951	0	0	0	0	0	0	-504,951	0	-504,951
Profit (loss)	0	0	0	0	1,608,680	1,608,680	0	0	0	1,608,680	-26	1,608,654
Other comprehensive income	0	0	0	0	0	0	-450,659	-50,417	-501,076	-501,076	0	-501,076
Total comprehensive income	0	0	0	0	1,608,680	1,608,680	-450,659	-50,417	-501,076	1,107,604	-26	1,107,578
Total increase (decrease) in equity	0	0	-494,741	242,800	-168,162	74,638	-450,659	-50,417	-501,076	-921,179	-26	-921,205
Equity at end of period	5,049,513	5,049,513	3,910,428	3,823,896	7,198,604	11,022,500	1,275,986	100,650	1,376,636	21,359,077	9,599	21,368,676

## Financial Statement Independent Auditors' Report

Financial year: Yearly

Unit: NT\$ thousand

Report of Independent Auditors	
Name of CPA Firm	Price waterhouseCoopers'
Name of CPA 1	Hsueh, Seou-Hung
Name of CPA 2	Li, Tien-Yi
Date of Audit (Review)	2017-07-28
Type of Report	
Review Report	Y
Type of Opinion	
Qualified Opinion	Y
Situations for not Issuing a Standard Unqualified Opinion	
Financial statements of non-major subsidiary or investment accounted for using equity method have not been audited or reviewed	Y
Description of Matter Emphasized	
Description of Other Matter	
	<p>We have reviewed the accompanying consolidated balance sheets of Realtek Semiconductor Corporation and its subsidiaries (the Company) as of June 30, 2017 and 2016 and the related consolidated statements of comprehensive income of changes in stockholder's equity and cash flows for the six-month period then ended June 30, 2017 and 2016. These financial consolidated statements are the responsibility of the Company's management. Our responsibility is to issue a review report on these financial statements based on our reviews. Except for the facts stated in the third paragraph, we conducted our reviews in accordance with the guidelines of ROC Statement on Auditing Standards No.36 (ROC SAS No. 36), "Reviewing Financial Statements". Those guidelines require that we plan and perform the review, which consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and with the objective of expressing an opinion regarding the financial statements taken as a whole.</p>

## Content of Independent Auditors Report

Accordingly, we do not express such an opinion. As stated in disclosure 13 related to the non-major subsidiaries and investee companies is based on their companies financial statements without review procedures conducted by independent auditors. The total assets of non-major subsidiaries amounted to NT\$4,293,320 thousand and NT\$12,449,848 thousand, or 8.06% and 24.30% of the total consolidated assets as of June 30, 2017 and 2016, respectively, and the total liabilities amounted to NT\$1,126,506 thousand and NT\$3,944,260 thousand, or 3.42% and 13.20% of the total consolidated liabilities as of June 30, 2017 and 2016, respectively. The total revenues for three-month period ended June, 30, 2017 and 2016 amounted to NT\$ 0 thousand and NT\$1,829,815, which are 0% and 18.58% of the total consolidate revenues, respectively. The total revenues for six-month period ended June, 30, 2017 and 2016 amounted to NT\$ 0 thousand and NT\$3,371,517 thousand, which are 0% and 17.90% of the total consolidate revenues, respectively. In addition, the long-term investments accounted for under the equity method amounted to NT\$311,711 thousand and NT\$339,560 thousand as of June 30, 2017 and 2016, respectively, and the related investment loss for three-month period ended June, 30, 2017 and 2016 amounted to NT\$6,579 thousand and NT\$11,629 thousand and for six-month period ended June 30, 2017 and 2016 amounted to NT\$22,990 thousand and NT\$18,129 thousand. Based on our reviews, we are not aware of any modifications that should be made, in any material respects, to the financial statements referred to in the first paragraph in order for them to be in conformity with the??Rules Governing the Preparation of Financial Statements of Securities Issuers??and ??IAS 34 Interim Financial Report?? endorsed by the Financial Supervisory Commission. except for the effect of such adjustments, if any, as might have been determined to be necessary had the subsidiaries and investee companies?? financial statements as stated in the third paragraph been reviewed.

Ending balance of assets of subsidiaries whose financial statements were audited or reviewed by other independent accountants

0

Total year-to-date revenues of subsidiaries whose financial statements were audited or reviewed by other independent accountants

0

Total revenues for the quarter of subsidiaries whose financial statements were audited or reviewed by other independent accountants

Ending balance of investments accounted for using equity method whose

financial statements were audited or reviewed by other independent accountants	0
Share of year-to-date profit (loss) of associates and joint ventures accounted for using equity method which audited by other independent accountants	0
Share of profit (loss) for the quarter of associates and joint ventures accounted for using equity method whose financial statements were audited or reviewed by other independent accountants	
Ending balance of assets of subsidiaries whose financial statements were on unaudited or unreviewed	4293320000
Year-to-date comprehensive income of subsidiaries whose financial statements were unaudited or unreviewed	-67185000
Comprehensive income for the quarter of subsidiaries whose financial statements were unaudited or unreviewed	
Ending balance of investments accounted for using equity method whose financial statements were unaudited or unreviewed	311711000
Share of year-to-date profit (loss) of associates and joint ventures accounted for using equity method whose financial statements were unaudited or unreviewed	-22990000
Share of profit (loss) for the quarter of associates and joint ventures accounted for using equity method whose financial statements were unaudited or unreviewed	