

## Financial Statement Balance Sheet

Financial year: Yearly

Unit: NT\$ thousand

Accounting Title	2017/09/30	2016/12/31	2016/09/30
<b>Balance Sheet</b>			
Assets			
Current assets			
Cash and cash equivalents			
Total cash and cash equivalents	32,748,371	37,874,245	33,884,529
Current financial assets at fair value through profit or loss			
Total current financial assets at fair value through profit or loss	585,169	522,701	450,541
Current bond investment without active market			
Total Current investments in debt instrument without active market	21,588	21,146	21,251
Accounts receivable, net			
Accounts receivable, net	3,538,105	3,059,082	3,316,153
Accounts receivable due from related parties, net			
Accounts receivable due from related parties, net	1,411,109	635,698	805,911
Other receivables			
Other receivables, net	323,080	410,109	394,541
Inventories			
Total inventories	6,324,624	4,552,166	3,916,727
Prepayments			
Total prepayments	149,973	98,275	68,736
Other current assets			
Total other current assets	65,861	783,255	810,964
Total current assets	45,167,880	47,956,677	43,669,353
Non-current assets			
Non-current available-for-sale financial assets			
Non-current available-for-sale financial assets, net	694,493	626,807	645,652
Held-to-maturity non-current financial assets			
Non-current held-to-maturity financial assets, net	45,645	277,419	944,092

Non-current financial assets at cost			
Non-current financial assets at cost, net	820,236	643,615	638,226
Investments accounted for using equity method			
Investments accounted for using equity method, net	289,265	322,962	331,017
Property, plant and equipment			
Total property, plant and equipment	3,216,985	3,192,717	3,222,804
Investment property, net			
Investment property, net	60,946	65,184	67,038
Intangible assets			
Total intangible assets	2,113,480	2,244,532	2,672,665
Deferred tax assets	103,053	148,821	128,590
Other non-current assets			
Total other non-current assets	40,607	41,074	41,794
Total non-current assets	7,384,710	7,563,131	8,691,878
Total assets	52,552,590	55,519,808	52,361,231
Liabilities and equity			
Liabilities			
Current liabilities			
Short-term borrowings			
Total short-term borrowings	15,534,913	20,717,937	16,949,462
Notes payable			
Total notes payable	4,594	4,769	5,964
Accounts payable			
Total accounts payable	5,162,642	4,575,944	4,569,355
Accounts payable to related parties			
Total accounts payable to related parties	264,937	269,374	249,736
Other payables			
Total other payables	8,689,168	5,710,105	7,475,858
Other payables to related parties	48,610	47,546	34,997
Current tax liabilities	324,210	406,792	316,131
Other current liabilities			
Total other current liabilities	91,632	83,861	422,472

Total current liabilities	30,120,706	31,816,328	30,023,975
Non-current liabilities			
Non-current provisions			
Total non-current provisions	884,927	845,406	790,445
Deferred tax liabilities			
Total deferred tax liabilities	19,562	21,063	6,854
Other non-current liabilities			
Total other non-current liabilities	8,655	12,239	19,357
Total non-current liabilities	913,144	878,708	816,656
Total liabilities	31,033,850	32,695,036	30,840,631
Equity			
Equity attributable to owners of parent			
Share capital			
Ordinary share	5,065,062	5,049,513	5,049,513
Total capital stock	5,065,062	5,049,513	5,049,513
Capital surplus			
Capital surplus, additional paid-in capital			
Total capital surplus, additional paid-in capital	3,540,653	3,900,218	3,900,218
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	18,203	10,210	10,210
Total capital surplus	3,558,856	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)	8,900,510	8,629,799	7,947,588
Total retained earnings	13,028,394	12,453,695	11,771,484
Other equity interest			
Exchange differences on translation of foreign financial statements			
Total exchange differences on translation of foreign financial statements	-329,065	1,298,139	653,788
Unrealized gains (losses) on available-for-sale financial assets			
Total unrealized gains (losses) on available-for-sale financial assets	185,902	103,410	125,804
Total other equity interest	-143,163	1,401,549	779,592

Total equity attributable to owners of parent	21,509,149	22,815,185	21,511,017
Non-controlling interests	9,591	9,587	9,583
Total equity	21,518,740	22,824,772	21,520,600
Total liabilities and equity	52,552,590	55,519,808	52,361,231
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	2017/3rd	2016/3rd	2017/01/01 To 2017/09/30	2016/01/01 To 2016/09/30
<b>Statement of comprehensive income</b>				
Operating revenue				
Total operating revenue	10,951,458	10,279,361	30,886,417	29,113,352
Operating costs				
Total operating costs	6,138,655	5,981,487	17,502,310	16,470,471
Gross profit (loss) from operations	4,812,803	4,297,874	13,384,107	12,642,881
Gross profit (loss) from operations	4,812,803	4,297,874	13,384,107	12,642,881
Operating expenses				
Selling expenses				
Total selling expenses	592,106	475,085	1,596,281	1,410,767
Administrative expenses				
Total administrative expenses	285,396	214,608	808,463	663,590
Research and development expenses				
Total research and development expenses	3,017,405	2,633,775	8,392,071	7,692,614
Total operating expenses	3,894,907	3,323,468	10,796,815	9,766,971
Net other income (expenses)				
Net other income (expenses)	1,569	1,800	4,651	5,187
Net operating income (loss)	919,465	976,206	2,591,943	2,881,097

Non-operating income and expenses				
Other income				
Total other income	245,054	215,799	622,051	585,604
Other gains and losses				
Other gains and losses, net	103,433	-333,006	-294,042	-767,203
Finance costs				
Finance costs, net	34,634	37,020	117,284	107,400
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	-7,581	-8,744	-30,571	-26,873
Total non-operating income and expenses	306,272	-162,971	180,154	-315,872
Profit (loss) from continuing operations before tax	1,225,737	813,235	2,772,097	2,565,225
Tax expense (income)				
Total tax expense (income)	71,752	64,267	177,589	207,603
Profit (loss) from continuing operations	1,153,985	748,968	2,594,508	2,357,622
Profit (loss)	1,153,985	748,968	2,594,508	2,357,622
Other comprehensive income				
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	-116,139	-622,198	-1,627,204	-1,072,857
Unrealised gains (losses) on valuation of available-for-sale financial assets	23,324	24,954	85,388	-24,847
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	58	200	-2,896	-416
Components of other comprehensive income that will be reclassified to profit or loss	-92,757	-597,044	-1,544,712	-1,098,120
Other comprehensive income, net	-92,757	-597,044	-1,544,712	-1,098,120
Total comprehensive income	1,061,228	151,924	1,049,796	1,259,502
Profit (loss), attributable to:				
Profit (loss), attributable to owners of parent	1,153,985	748,984	2,594,504	2,357,664
Profit (loss), attributable to non-controlling interests	0	-16	4	-42

Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	1,061,228	151,940	1,049,792	1,259,544
Comprehensive income, attributable to non-controlling interests	0	-16	4	-42
Basic earnings per share				
Basic earnings (loss) per share from continuing operations	2.28	1.48	5.14	4.67
Total basic earnings per share	2.28	1.48	5.14	4.67
Diluted earnings per share				
Diluted earnings (loss) per share from continuing operations	2.27	1.47	5.04	4.59
Total diluted earnings per share	2.27	1.47	5.04	4.59

## Financial Statement Statements of Cash Flows

Financial year: Yearly  
Unit: NT\$ thousand

Accounting Title	2017/01/01 To 2017/09/30	2016/01/01 To 2016/09/30
<b>Statement of cash flows</b>		
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	2,772,097	2,565,225
Profit (loss) before tax	2,772,097	2,565,225
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	370,249	369,073
Amortization expense	805,210	909,782
Provision (reversal of provision) for bad debt expense	16,784	3,967
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	-13,806	-5,970
Interest expense	117,284	107,400
Interest income	-534,540	-483,602
Dividend income	-17,321	-16,723
Share of loss (profit) of associates and joint ventures accounted for using equity method	30,571	26,873
Loss (gain) on disposal of property, plan and equipment	-12,707	687
Loss (gain) on disposal of investments	-15,879	0

Impairment loss on financial assets	0	0
Impairment loss on non-financial assets	0	0
Total adjustments to reconcile profit (loss)	745,845	911,487
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets held for trading	-57,147	471,497
Decrease (increase) in accounts receivable	-495,807	-621,104
Decrease (increase) in accounts receivable due from related parties	-775,411	326,647
Decrease (increase) in other receivable	54,043	-67,612
Decrease (increase) in other receivable due from related parties	0	0
Decrease (increase) in inventories	-1,855,694	-668,433
Decrease (increase) in prepayments	-51,698	124,710
Total changes in operating assets	-3,181,714	-434,295
Changes in operating liabilities		
Increase (decrease) in notes payable	-176	1,167
Increase (decrease) in accounts payable	586,698	718,158
Increase (decrease) in accounts payable to related parties	-4,436	15,424
Increase (decrease) in other payable	845,546	204,096
Increase (decrease) in other payable to related parties	1,064	-19,124
Increase (decrease) in provisions	39,521	-46,444
Increase (decrease) in receipts in advance	-2,755	5,732
Increase (decrease) in other current liabilities	10,525	-16,042
Increase (decrease) in net defined benefit liability	-2,735	-43,788
Total changes in operating liabilities	1,473,252	819,179
Total changes in operating assets and liabilities	-1,708,462	384,884
Total adjustments	-962,617	1,296,371
Cash inflow (outflow) generated from operations	1,809,480	3,861,596
Interest received	567,526	482,206
Dividends received	17,321	16,723
Interest paid	-117,212	-108,448
Income taxes refund (paid)	-208,294	-168,486
Net cash flows from (used in) operating activities	2,068,821	4,083,591

Cash flows from (used in) investing activities		
Proceeds from disposal of available-for-sale financial assets	27,188	0
Acquisition of investments in debt instrument without active market	0	0
Proceeds from disposal of investments in debt instrument without active market	0	21,251
Acquisition of held-to-maturity financial assets	0	-156,469
Proceeds from disposal of held-to-maturity financial assets	221,297	532,812
Acquisition of financial assets at cost	-221,000	-150,557
Proceeds from disposal of financial assets at cost	0	0
Proceeds from capital reduction of financial assets at cost	6,622	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	14,923	0
Acquisition of property, plant and equipment	-361,283	-323,486
Proceeds from disposal of property, plant and equipment	14,440	0
Increase in refundable deposits	0	39,153
Decrease in refundable deposits	-401	0
Acquisition of intangible assets	-1,006,335	-921,659
Increase in other non-current assets	718,262	611,383
Other investing activities	0	0
Net cash flows from (used in) investing activities	-592,986	-397,572
Cash flows from (used in) financing activities		
Increase in short-term loans	0	3,482,732
Decrease in short-term loans	-4,996,798	0
Decrease in guarantee deposits received	-849	-1,082
Net cash flows from (used in) financing activities	-4,997,647	3,481,650
Effect of exchange rate changes on cash and cash equivalents	-1,604,062	-828,985
Net increase (decrease) in cash and cash equivalents	-5,125,874	6,338,684
Cash and cash equivalents at beginning of period	37,874,245	27,545,845
Cash and cash equivalents at end of period	32,748,371	33,884,529
Cash and cash equivalents reported in the statement of financial position	32,748,371	33,884,529



## Financial Statement Statements of Changes in Stockholders' Equity

Financial year: Yearly

Unit: NT\$ thousand

### 2017/09/30 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	2,594,504	2,594,504	0	0	0	2,594,504	4	2,594,508
Other comprehensive income	0	0	0	0	0	0	-1,627,204	82,492	1,544,712	-1,544,712	0	-1,544,712
Total comprehensive income	0	0	0	0	2,594,504	2,594,504	-1,627,204	82,492	1,544,712	1,049,792	4	1,049,796
Share-based payments	15,549	15,549	145,386	0	0	0	0	0	0	160,935	0	160,935
Total increase (decrease) in	15,549	15,549	-351,572	303,988	270,711	574,699	-1,627,204	82,492	1,544,712	-1,306,036	4	-1,306,032

equity													
Equity at end of period	5,065,062	5,065,062	3,558,856	4,127,884	8,900,510	13,028,394	-329,065	185,902	-143,163	21,509,149	9,591	21,518,740	

**2016/09/30**  
**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	2,357,664	2,357,664	0	0	0	2,357,664	-42	2,357,622
Other comprehensive income	0	0	0	0	0	0	-1,072,857	-25,263	1,098,120	-1,098,120	0	-1,098,120
Total comprehensive income	0	0	0	0	2,357,664	2,357,664	-1,072,857	-25,263	1,098,120	1,259,544	-42	1,259,502
Total increase (decrease) in	0	0	-494,741	242,800	580,822	823,622	-1,072,857	-25,263	1,098,120	-769,239	-42	-769,281

equity												
Equity at end of period	5,049,513	5,049,513	3,910,428	3,823,896	7,947,588	11,771,484	653,788	125,804	779,592	21,511,017	9,583	21,520,600

## 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)	2017-10-30
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 September 30, 2017 and 2016 and the related consolidated statements of comprehensive income, of changes in stockholder's equity and of cash flows for the nine-month period then ended September 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</p>

## Content of Independent Auditors Report

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. 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\$4,079,625 thousand and NT\$12,622,443 thousand, or 7.76% and 24.11% of the total consolidated assets as of September 30, 2017 and 2016, respectively, and the total liabilities amounted to NT\$736,499 thousand and NT\$4,018,623 thousand, or 2.37% and 13.03% of the total consolidated liabilities as of September 30, 2017 and 2016, respectively. The total revenues amounted to NT\$0 thousand and NT\$2,561,205 thousand and NT\$0 thousand and NT\$5,932,722 thousand, or 0.00% and 24.92% and 0.00% and 20.38% of the total consolidated revenues for three-month period ended September 30, 2017 and 2016, for nine-month period ended September 30, 2017 and 2016, respectively. In addition, the long-term investments accounted for under the equity method amounted to NT\$289,265 thousand and NT\$331,017 thousand as of September 30, 2017 and 2016, respectively, and the related investment loss were NT\$7,581 thousand and NT\$8,744 thousand and NT\$30,571 thousand and NT\$26,873 thousand for three-month period ended September 30, 2017 and 2016, for nine-month period ended September 30, 2017 and 2016, respectively. 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	4079625000
Year-to-date comprehensive income of subsidiaries whose financial statements were unaudited or unreviewed	-12421000
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	289265000
Share of year-to-date profit (loss) of associates and joint ventures accounted for using equity method whose financial statements were unaudited or unreviewed	-30571000
Share of profit (loss) for the quarter of associates and joint ventures accounted for using equity method whose financial statements were unaudited or unreviewed	