



FOR IMMEDIATE RELEASE
Wednesday October 3, 2001

ATI reports adjusted earnings of (US) \$0.01 per share

Margins improve; cash position strengthens significantly

MARKHAM, Ontario -- ATI Technologies Inc. (TSE: ATY, NASDAQ: ATYT), a world leader in the supply of graphics, video and multimedia solutions, today reported adjusted net income of (US) \$2.2 million or (US) \$0.01 per share for the fourth quarter of its fiscal year ended August 31, 2001.

As of the fourth quarter of fiscal 2001, ATI has revised its practices regarding the accounting treatment of sales incentives in anticipation of new standards issued by the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB). This has the effect of reducing the Company's revenues as well as selling expenses, but has no effect on earnings. Further information with regard to this reclassification can be found in the Notes to the Financial Statements attached.

All current and historical amounts quoted in this release, as well as the accompanying Management's Discussion & Analysis (MD&A) and Financial Statements, reflect this new accounting treatment.

Revenues during the quarter declined 6.7 percent to (US) \$229.1 million from the third quarter of fiscal 2001, while the gross margin improved 5.5 percentage points to 29.6 percent. Total operating expenses of (US) \$88.3 million decreased 2.7 percent in the fourth quarter versus the previous quarter, and were 15.4 percent lower than the fourth quarter of fiscal 2000. Operating expenses, excluding intangibles, were (US) \$67.2 million, 3.5 percent higher versus the previous quarter, but 5.0 percent lower than the

same period a year ago. The unadjusted net loss in the fourth quarter of this fiscal year was (US) \$11.6 million or (US) \$0.05 per share, compared to an unadjusted net loss of (US) \$45.2 million, or (US) \$0.20 per share for the same period a year ago.

For fiscal 2001, ATI revenues declined 19.1 percent to (US) \$1.04 billion, largely as a result of the worldwide slowdown in PC sales. The adjusted net loss for the year was (US) \$16.3 million or (US) \$0.07 per share. For fiscal 2001, the unadjusted net loss was (US) \$54.2 million or (US) \$0.23 per share.

“Despite the PC slowdown, we are continuing to deliver on the most aggressive schedule of new product and technology introductions in ATI’s history,” said David Orton, President & Chief Operating Officer, ATI Technologies Inc. “We have successfully refocused the business, changed our strategy to partner with third-party board makers and put a highly experienced management team in place. Our growth will be driven by an expanding footprint in the PC market through increased desktop and workstation market share, the introduction of new technology in the integrated market as well as our participation in the consumer game console space with Nintendo’s GAMECUBE™.”

As of August 31, 2001, ATI’s working capital and cash position continued to strengthen. The Company’s cash position increased by almost (US) \$60 million to (US) \$216.5 million as of August 31, 2001, while working capital of (US) \$323.6 million was (US) \$2.2 million higher than the previous quarter. Inventories declined a further (US) \$41.1 million during the quarter to end the year at (US) \$99.0 million. Cash generated from operations during the fourth quarter was (US) \$70.3 million.

“Our new generation of RADEON™ products, complemented by the faster overall pace of product introductions, are creating an excellent foundation for ATI to increase its marketshare,” said K.Y. Ho, Chairman & Chief Executive Officer, ATI Technologies Inc. “We expect our desktop market position to improve, and we’re already seeing strong momentum with recent commercial design wins at Dell, Hewlett-Packard and IBM. With this, and Nintendo’s GAMECUBE delivering royalty revenue early in this new fiscal year, ATI is well positioned for fiscal 2002.”

Outlook

ATI expects improved performance from steadily increasing customer acceptance of its products, most notably its RADEON™ 8500, RADEON™ 7500 and MOBILITY™ RADEON™ 7500 graphics processors; improved marketshare through significant design wins in the desktop, mobile and consumer segments; full implementation of the Company's new business strategy in the worldwide system integrator (SI) channel; and royalties from the introduction of Nintendo's new GAMECUBE game console, which ships in Japan and North America during ATI's first quarter.

Prior to the events of September 11, 2001, ATI expected first quarter fiscal 2002 revenues to increase slightly compared to the fourth quarter. ATI also expected an increase in profitability in the first quarter and continuing improvements over the course of fiscal 2002. However, based on recent developments and the resulting economic uncertainty, the Company is not providing specific guidance at this time on revenue growth and earnings.

Operational Highlights

During the quarter, ATI entered into manufacturing and distribution relationships with leading original design manufacturers (ODMs) and add-in-board manufacturers (AIBs) in support of its new business strategy of supplying chip technology, rather than board technology, into the system integrator (SI) channel. The Company anticipates this strategy will increase its sales and distribution penetration of ATI chip technologies worldwide. ATI's new partners are now shipping its full range of graphics chip products to SIs and distributors around the world. The Company is also now shipping its recently announced RADEON 8500 and RADEON 7500 to its retail partners in North America.

ATI, which attained marketshare leadership in the worldwide mobile notebook PC market as well as in US retail and distribution during fiscal 2001, announced numerous design wins during the quarter, including mobile graphics chip contracts with Acer, Compaq, Hewlett-Packard, NEC and Sharp and commercial desktop graphics contracts with Fujitsu and Hewlett-Packard. Subsequent to quarter-end, Dell and IBM also began shipping commercial desktop PC systems featuring ATI technology.

In August, ATI embarked upon the most aggressive product roadmap in the history of the Company with the introduction of its next-generation RADEON processors, the world's most powerful and innovative graphics chip and board technologies offering the ultimate in pure gaming power, 3D quality of the highest order and unparalleled price-performance. In keeping with ATI's commitment to increase its pace of innovation and reduce development time of new products, the initial wave of products included the RADEON 8500, the world's fastest and most technologically advanced graphics board; the RADEON 7500 graphics board, an outstanding combination of performance, innovative 3D features and real value for a wide range of home and business users; the FIRE GL™ 8800, a new mid-range 3D workstation graphics board ideally suited for CAD/CAM and the modeling and animation aspects of digital content and creation; the MOBILITY RADEON 7500, ATI's next-generation mobile graphics processor and the most powerful, feature-rich mobile solution in the world; and the new ALL-IN-WONDER® RADEON™ 8500DV, the world's most advanced multimedia graphics board and the latest addition to the award-winning, marketshare-leading ALL-IN-WONDER family.

In July, ATI acquired Appian Graphics Corporation's marketshare-leading HydraVision™ desktop management software and technology. The companies also renewed a sales and distribution agreement. HydraVision software is a standard feature found in all ATI multi-monitor PC graphics products.

ATI and Nintendo continued their joint promotion of GAMECUBE through the quarter, in preparation for the product's highly-anticipated launch in Japan that occurred in mid-September and in North America in late November. GAMECUBE began shipping in quantity in Japan in September with the ATI logo prominently displayed on its cover.

ATI products were recognized with a number of awards in North America and Europe during the quarter, including the Best of 2001 World Class Award for Hardware from PC World Magazine and the CNET Editors' Choice award from that organization in its graphics and sound category.

Management's Discussion and Analysis of Interim Financial Results

As of the fourth quarter of fiscal 2001, ATI has revised its practices regarding the accounting treatment of sales incentives in anticipation of new standards issued by the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB). This has the effect of reducing the Company's revenues as well as selling expenses, but has no effect on earnings. Further information with regard to this reclassification can be found in the Notes to the Financial Statements attached. All current and historical amounts quoted in this release reflect this new accounting treatment.

ATI sales for the fourth quarter declined 6.7 percent to (US) \$229.1 million, compared to the third quarter, and were 17.9 percent lower than the fourth quarter a year earlier. Fourth quarter 2001 revenues were affected primarily by the shift from the delivery of boards to the delivery of chips into the SI channel, as well as by slower mobile sales. Compared to fourth quarter of fiscal 2000, the decline was primarily the result of a continuing worldwide slowdown in PC sales.

For the 2001 fiscal year, revenues were (US) \$1.04 billion, a 19.1 percent decline from fiscal 2000. This was primarily due to worldwide softness in computer sales and the shift to integrated graphics solutions.

Gross margins for the fourth quarter improved to 29.6 percent of sales, compared to 24.1 percent in the third quarter and 20.0 percent in the same quarter a year earlier. The quarter over quarter improvement occurred primarily because of a richer mix of chips and lower costs. For fiscal 2001 versus fiscal 2000, product mix and lower cost memory, particularly during the third and fourth quarter, contributed to gross margin improvement.

Total operating expenses, excluding amortization of intangibles, were (US) \$67.2 million, or 3.5 percent higher than the third quarter, but 5.0 percent lower than the same quarter a year earlier. Year over year, total operating expenses, excluding amortization of intangibles, rose (US) \$13.3 million or 5.3 percent to (US) \$262.3 million in fiscal 2001 over fiscal 2000.

Total operating expenses declined slightly in the fourth quarter to (US) \$88.3 million from the third quarter and were 15.4 percent below the fourth quarter of fiscal 2000. Amortization of intangibles declined substantially in the second half of fiscal 2001 as the Company completed its amortization of intellectual property assets from the acquisition of ArtX.

For fiscal 2001, total operating expenses increased 23.2 percent to (US) \$376.8 million from fiscal 2000, primarily due to increases in amortization of intangible assets from the acquisition of ArtX. ATI experienced increased expense associated with new product development during the year as it prepared for the launch of several new products. Additional operating expenses resulted from the acquisition of FIRE GL. The Company continues to undertake initiatives to reduce its expenses, primarily by targeted reductions through streamlining in both Europe and Canada and through review of its R&D efforts.

In the fourth quarter of fiscal 2001, ATI's unadjusted net loss was (US) \$11.6 million or (US) \$0.05 per share, compared with an unadjusted net loss of (US) \$27.0 million or (US) \$0.12 for the third quarter, and an unadjusted net loss of (US) \$45.2 million or (US) \$0.20 for the fourth quarter a year ago. The improvement in unadjusted earnings has come with declines in amortization of intangible assets and with increases in gross margins.

ATI's unadjusted net loss for fiscal 2001 was (US) \$54.2 million, compared to an unadjusted net loss of (US) \$69.3 million in fiscal 2000.

Adjusted net earnings for the fourth quarter were (US) \$2.2 million or (US) \$0.01 per share on a fully diluted basis, which improved compared to an adjusted net loss of (US) \$4.2 million or (US) \$0.02 per share for the previous quarter, primarily a result of increased gross margin. Increased gross margin and lower selling and marketing expense improved adjusted net earnings for the fourth quarter compared to the same period a year ago, where the Company had an adjusted net loss of (US) \$11.5 million or (US) \$0.05 per share.

For the 2001 fiscal year, the adjusted net loss was (US) \$16.3 million or (US) \$0.07 per share, compared to adjusted net income of (US) \$64.6 million or (US) \$0.29 per share for fiscal 2000. The lower earnings are largely attributable to lower revenues as a result of the global PC slowdown and a continuing industry trend towards the use of integrated graphics chipsets.

Liquidity and Financial Resources

ATI's cash flow from operations was (US) \$70.3 million in the fourth quarter, compared to (US) \$66.0 million in the third quarter and cash used in operations of (US) \$49.7 million in the fourth quarter a year ago. ATI has seen improvements in cash flow during fiscal 2001, primarily as a result of reductions in inventories. Inventories declined throughout fiscal 2001, to (US) \$99.0 million as of August 31, 2001 from (US) \$239.2 million a year earlier.

ATI's financial position continued to strengthen in the fourth quarter. As of August 31, 2001, ATI had working capital of (US) \$323.6 million, compared to (US) \$291.1 million at year-end, fiscal 2000. The Company's cash position was (US) \$216.5 million as of August 31, 2001, compared to (US) \$79.2 million at year-end 2000. The increases were largely due to strong cash flows resulting from inventory reductions.

Intangible assets declined to (US) \$285.9 million as of August 31, 2001, from (US) \$409.4 million a year earlier due to the large amounts amortized during the year.

Cash generated from operations in fiscal 2001 was (US) \$101.9 million, compared to cash used in operations of (US) \$17.9 million in fiscal 2000, with the improvement largely resulting from a reduction in inventories of (US) \$143.7 million during the year. In addition, the Company realized cash proceeds of (US) \$65.1 million from the sale of shares in Broadcom Corporation in January, 2001. Accounts receivable declined by (US) \$45.5 million during the year while accounts payable decreased \$104.2 million.

Forward-looking Statement

Certain statements in this press release, including Management's Discussion and Analysis of Interim Financial Results, constitute "forward-looking statements." When used in this press release, words such as "plans," "intends," "anticipates," "should," "estimates," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties that are outlined in this press release and in the Company's 2000 Annual Report. For example, the markets for the Company's products are characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, emerging competitors and significant price competition. In the event that the Company is unsuccessful in identifying, developing, manufacturing or marketing new products or enhancing its existing products or maintaining its historical prices or margins, its operating results will be adversely affected. These risks and uncertainties could cause or contribute to actual results that are materially different from those projected. Additional information concerning factors that could cause actual results to materially differ from those in such forward-looking statements is contained in the Company's filings with securities regulatory authorities. ATI disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Conference Call Information

ATI will host a conference call today to discuss the fourth quarter results at 10:00 a.m. EDT. To participate in the call, please dial (416) 405-9328 ten minutes before the scheduled start of the call. A live webcast of the conference call will be available at: http://www.ati.com/na/pages/corporate/investor_relations/investor_index.html under the Financial Information section or at <http://www.ewsservices.com/en/webcast/index.html>.

Company Background

Founded in 1985, ATI Technologies Inc. is a world leader in the supply of graphics, video and multimedia solutions for the personal computer and Mac platforms. The pioneer, innovator and market leader in the graphics industry, ATI provides cutting-edge technologies for the PC, workstation, set-top box, game console and other consumer appliances markets. The Company has more than 1,900 full-time employees supporting customers from its headquarters in Markham, Ontario, Canada, as well as from offices in Barbados, France, Germany, Hong Kong, Ireland, Japan, Malaysia, the United Kingdom and the United States. ATI common shares trade on NASDAQ (ATYT) and the Toronto Stock Exchange (ATY).

Copyright 2001 ATI Technologies Inc. All rights reserved. ATI and ATI product and product feature names are trademarks and/or registered trademarks of ATI Technologies Inc. All other company and product names are trademarks and/or registered trademarks of their respective owners. Features, pricing, availability and specifications are subject to change without notice.

For media or industry analyst support, please visit our Web site at <http://www.ati.com> or contact:

John B. Challinor II APR, Director, Public Relations, ATI Technologies Inc., at (905) 882-2600, Ext. 8815 or jchallin@ati.com
Anne Ferguson, Senior Counsellor, BenchMark Porter Novelli, at (416) 422-7154 or aferguson@bporternovelli.com

For investor relations support, please contact:

Janet Craig, Director, Investor Relations, ATI Technologies Inc., at (905) 882-2600, Ext. 2631 or jcraig@ati.com

ATI TECHNOLOGIES INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS*(Thousands of US dollars, except per share amounts)*

	Three months ended				Twelve months ended			
	August 31 2001		August 31 2000		August 31 2001		August 31 2000	
	<i>(unaudited)</i>							
Sales	\$229,132	100.0%	\$279,227	100.0%	\$1,037,809	100.0%	\$1,283,065	100.0%
Cost of goods sold	161,238	70.4%	223,461	80.0%	797,096	76.8%	1,045,508	81.5%
	67,894	29.6%	55,766	20.0%	240,713	23.2%	237,557	18.5%
Expenses								
Selling and marketing	17,522	7.6%	23,465	8.4%	75,541	7.3%	86,529	6.7%
Research and development	39,629	17.3%	37,984	13.6%	149,465	14.4%	130,570	10.2%
Administrative	9,999	4.4%	9,232	3.3%	37,261	3.6%	31,918	2.5%
Amortization of intangible assets	21,129	9.2%	33,712	12.1%	114,507	11.0%	56,709	4.4%
	88,279	38.5%	104,393	37.4%	376,774	36.3%	305,726	23.8%
Income (loss) from operations	(20,385)	(8.9%)	(48,627)	(17.4%)	(136,061)	(13.1%)	(68,169)	(5.3%)
Interest and other income	1,994	0.8%	563	0.2%	2,915	0.3%	4,559	0.4%
Gain on long-term investments, net	6,364	2.8%	-	-	61,216	5.9%	10,666	0.8%
Interest expense	(12)	-	(23)	-	(1,180)	(0.1%)	(104)	-
Income (loss) before income taxes	(12,039)	(5.3%)	(48,087)	(17.2%)	(73,110)	(7.0%)	(53,048)	(4.1%)
Income taxes	(406)	(0.2%)	(2,879)	(1.0%)	(18,905)	(1.8%)	16,286	1.3%
Net income (loss)	\$(11,633)	(5.1%)	\$(45,208)	(16.2%)	\$(54,205)	(5.2%)	\$(69,334)	(5.4%)
Net income (loss) per share								
Basic	\$(0.05)		\$(0.20)		\$(0.23)		\$(0.32)	
Fully diluted	\$(0.05)		\$(0.20)		\$(0.23)		\$(0.32)	
Weighted average number of shares (000's)								
Basic	231,938		229,236		230,880		215,124	
Fully diluted – net income (loss)	231,938		229,236		230,880		215,124	
Fully diluted – adjusted net income (loss)	261,099		229,236		230,880		243,276	
Outstanding number of shares at the end of the quarter (000's)	232,119		229,436		232,119		229,436	

See accompanying notes to interim consolidated financial statements

ADJUSTED NET INCOME (LOSS) AND ADJUSTED NET INCOME (LOSS) PER SHARE (Note 5)*(Thousands of US dollars, except per share amounts)*

Adjusted net income (loss)	\$2,235	\$(11,496)	\$(16,252)	\$64,644
Adjusted net income (loss) per share				
Basic	\$0.01	\$(0.05)	\$(0.07)	\$0.30
Fully diluted	\$0.01	\$(0.05)	\$(0.07)	\$0.29

ATI TECHNOLOGIES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Thousands of US dollars)

	August 31 2001	August 31 2000
Assets		
Current Assets		
Cash and cash equivalents	\$ 171,455	\$ 74,835
Short-term investments	45,000	4,403
Accounts receivable	134,852	180,395
Inventories	98,970	239,170
Prepayments and sundry receivables	20,704	32,920
Future income tax assets	4,658	-
Total current assets	\$ 475,639	531,723
Capital assets	71,487	61,320
Intangible assets	285,869	409,412
Long-term investments	11,008	12,556
Future income tax assets – long term	4,887	-
Total Assets	\$ 848,890	\$ 1,015,011
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	\$ 8,749	\$ -
Accounts payable	79,719	183,908
Accrued liabilities	48,965	48,634
Deferred revenue	354	3,658
Income taxes payable	9,573	4,437
Future income tax liabilities	4,719	-
Total current liabilities	152,079	240,637
Future income tax liabilities – long term	15,176	9,100
Shareholders' Equity		
Share capital	551,217	557,044
Contributed surplus	2,033	-
Retained earnings	120,111	199,956
Currency translation adjustment	8,274	8,274
Total shareholders' equity	681,635	765,274
Total Liabilities and Shareholders' Equity	\$ 848,890	\$ 1,015,011

See accompanying notes to interim consolidated financial statements

ATI TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of US dollars)

	Three months ended		Twelve months ended	
	August 31		August 31	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$(11,633)	\$(45,208)	\$(54,205)	\$(69,334)
Add items not affecting working capital:				
Deferred income taxes	(1,744)	(1,000)	(18,430)	4,700
Depreciation	5,276	4,787	20,955	17,769
Amortization of intangible assets	21,129	33,712	114,507	56,709
Gain on long-term investments, net	(6,364)	-	(61,216)	(10,666)
Foreign exchange (gain) loss	(53)	(99)	431	140
Net changes in non-cash working capital balances relating to operations:				
Accounts receivable	12,598	6,002	45,543	(1,317)
Inventories	41,070	(16,185)	143,728	(48,265)
Prepayments and sundry receivables	5,527	(5,640)	12,487	(13,549)
Accounts payable	9,822	750	(104,189)	77,567
Accrued liabilities	(614)	(18,339)	500	(4,923)
Deferred revenue	(555)	(1,695)	(3,304)	(841)
Income taxes payable	(4,153)	(6,834)	5,136	(25,841)
	70,306	(49,749)	101,943	(17,851)
Financing activities:				
Increase in bank indebtedness	3,457	-	8,749	-
Issuance of common shares	1,265	1,506	4,687	12,733
Common shares repurchased for cancellation	-	-	-	(6,929)
	4,722	1,506	13,436	5,804
Investing activities:				
Purchase of short-term investments	(45,000)	(4,403)	(45,000)	(4,403)
Maturity of short-term investments	-	4,417	4,403	10,000
Additions to capital assets	(9,074)	(4,757)	(31,091)	(25,659)
Investment in other assets	-	-	(2,500)	(4,413)
Proceeds from sale of long-term investments	-	-	65,061	15,273
Acquisitions, net of cash acquired	(6,501)	-	(9,201)	10,757
	(60,575)	(4,743)	(18,328)	1,555
Foreign exchange gain (loss) on cash held in foreign currency	53	99	(431)	(140)
Increase (decrease) in cash	14,506	(52,887)	96,620	(10,632)
Cash and cash equivalents - beginning of period	156,949	127,722	74,835	85,467
Cash and cash equivalents - end of period	171,455	74,835	171,455	74,835
Short-term investment	45,000	4,403	45,000	4,403
Cash position - end of period	\$216,455	\$79,238	\$216,455	\$79,238

Cash position is defined as cash and cash equivalents and short-term investments. See accompanying notes to interim consolidated financial statements.

ATI TECHNOLOGIES INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2001

The principal business activities of ATI Technologies Inc. (the "Company") are the design, manufacture and sale of graphics and multimedia products for personal computers and consumer electronics devices. The Company markets its products to original equipment manufacturers, system builders, distributors and retailers primarily in North America, Europe and Asia-Pacific.

1. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. These interim financial statements and notes related thereto should be read in conjunction with the Company's most recent annual consolidated financial statements, as at and for the year ended August 31, 2001.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual consolidated financial statements with the exception of the Company's adoption of the following accounting policies.

(a) Revenue recognition:

FASB Emerging Issues Task Force Issue No. 00-14 ("EITF No. 00-14"), "Accounting for Certain Sales Incentives," and No. 00-25 ("EITF No. 00-25"), "Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer," address the recognition, measurement, and income statement classification for certain types of sales incentives. The application of the guidance in EITF No. 00-14 and No. 00-25 resulted in a change in the manner in which the Company records certain types of sales and marketing incentives that are provided to the customers. The Company has historically recorded certain types of these incentives as selling and marketing expenses. Under EITF No. 00-14 and No. 00-25, the Company recorded these incentives as reductions of revenue. The Company adopted the guidance outlined in EITF No. 00-14 and No. 00-25 for the fourth quarter of fiscal 2001, at which time prior period reported amounts were reclassified to conform to the new presentation. The disclosures reflect the reclassification of both previously reported as well as current year revenue and selling and marketing expenses based on the adoption of the new standards. There is no current year or historical impact on the Company's net income (loss).

In addition, the Company reclassified, in the current year and comparative years, certain research and development expenses which relate to administrative and selling and marketing activities carried on in the Company.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(a) Revenue recognition (continued):

<i>(Thousands of US dollars)</i>	Three months ended		Twelve months ended	
	August 31		August 31	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Revenue:				
As previously reported	\$238,209	\$290,244	\$1,076,948	\$1,372,043
As reclassified	229,132	279,227	1,037,809	1,283,065
Selling and marketing expenses:				
As previously reported	\$26,447	\$34,311	\$114,108	\$174,568
As reclassified	17,522	23,465	75,541	86,529
Research and development expenses:				
As previously reported	\$40,546	\$39,116	\$153,451	\$134,355
As reclassified	39,629	37,984	149,465	130,570
Administrative expenses:				
As previously reported	\$9,234	\$8,271	\$33,847	\$29,072
As reclassified	9,999	9,232	37,261	31,918

(b) Income taxes:

Effective September 1, 2000, the Company changed its method of accounting for income taxes from the deferral method to the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax attributable to the temporary differences between the carrying amounts and respective tax bases of assets and liabilities. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the substantive enactment date. To the extent the realization of future income tax assets is not considered to be more likely than not, a valuation allowance is provided.

The cumulative effect of adopting the new standard, as of September 1, 2000, resulted in a decrease in intangible assets of \$6.0 million; an increase in net future tax liability of \$19.6 million; and a decrease in opening retained earnings of \$25.6 million.

As a result of adopting the new accounting rules in fiscal 2001, an income tax recovery of \$16.3 million was recorded. This recovery resulted from the realization of the future tax liability associated with intangible assets, other than goodwill, related to the Company's acquisitions.

As permitted under the new standard, prior year financial statements were not restated; however, the effect was applied retroactively as an adjustment to opening retained earnings.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(c) Financial instruments

The joint venture, in which the Company has a 50% ownership, entered into an interest rate swap contract to hedge its exposure to the interest rate risk applicable to its expected future mortgage requirement. At closing, expected for March 2002, this hedging instrument will be recognized as a yield adjustment to the interest expense, over the life of the mortgage.

2. INTANGIBLE ASSETS

During fiscal 2001, the balance of the intangible assets related to the workforce of Chromatic Research, Inc. ("Chromatic") was fully written off due to a higher than anticipated turnover rate of the Chromatic employees. As a result, a total of \$4.5 million was charged to the consolidated statements of operations and retained earnings, instead of \$1.4 million, which would have been the amortization expense related to the workforce of Chromatic for this fiscal year, had the employee yearly turnover rate remained at approximately 20% as originally estimated.

3. LONG-TERM INVESTMENTS

In the fourth quarter of fiscal 2001, the Company wrote down the value of certain of its long-term investments by an aggregate of \$2.1 million to reflect the other than temporary decline in value of the investments.

During the second quarter, the Company exchanged all of its share investment in Sibyte Inc. ("Sibyte") for 494,295 shares of Broadcom Corp. ("Broadcom") as a result of the purchase of Sibyte by Broadcom. The Company later sold its shares of Broadcom, realizing a gain of approximately \$54.9 million. In the current quarter, the Company earned an additional 250,701 shares of Broadcom, valued at \$8.5 million, as a result of the achievement of certain performance targets by Sibyte pursuant to the terms of the purchase agreement.

4. ACQUISITIONS

On March 30, 2001, the Company acquired FGL Graphics, the professional graphics division of SONICblue Ltd. FGL Graphics, which develops and markets the technology-leading Fire GL brand of OpenGL-based graphics accelerators, is a leading provider of solutions of NT and Linux workstation markets. The acquisition was accounted for using the purchase method whereby the results of FGL Graphics have been included in the consolidated statements of operations and retained earnings and cash flows from the date of acquisition.

The fair values of the assets acquired were as follows:

Inventories	\$3,528
Capital assets	200
Prepayments	68
Core technology	<u>5,405</u>
Cash consideration	\$9,201

Under the terms of the agreement, SONICblue Ltd. is eligible to receive additional consideration up to \$7.3 million in cash, contingent upon FGL Graphics achieving future performance targets from the closing date to December 31, 2001. As of August 31, 2001, \$5.2 million has been earned and recognized. The amount has been accrued and recorded as core technology. The remaining contingency will be recorded when resolved beyond a reasonable doubt, as an addition to core technology. The core technology is being charged to operations on a straight-line basis over a two-year period.

5. ADJUSTED NET INCOME (LOSS) AND ADJUSTED NET INCOME (LOSS) PER SHARE

The table below presents adjusted net income (loss) and adjusted net income (loss) per share, which excludes gain on long-term investments (net), amortization of intangible assets related to the Company's acquisitions, and the tax effect of the change in accounting policy for income taxes pertaining to intangible assets acquired, related to the Company's acquisitions, and special charges.

<i>(Thousands of US dollars, except per share amounts)</i>	Three months ended		Twelve months ended	
	August 31		August 31	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Net income (loss)	\$ (11,633)	\$ (45,208)	\$ (54,205)	\$ (69,334)
Gain on long-term investments, net	(6,364)	-	(61,216)	(10,666)
Amortization of intangible assets	21,129	33,712	114,507	56,709
Inventory special charge	-	-	-	63,997
Selling and marketing special charge	-	-	-	24,303
Net tax impact	-	-	991	(365)
Change in accounting policy – deferred tax recovery of future tax liability on intangible assets (note 1)	(897)	-	(16,329)	-
Adjusted net income (loss)	\$ 2,235	\$ (11,496)	\$ (16,252)	\$ 64,644
Adjusted net income (loss) per share				
Basic	\$ 0.01	\$ (0.05)	\$ (0.07)	\$ 0.30
Fully diluted	\$ 0.01	\$ (0.05)	\$ (0.07)	\$ 0.29
Weighted average number of shares (000's):				
Basic	231,938	229,236	230,880	215,124
Fully diluted – adjusted net income (loss)	261,099	229,236	230,880	243,276

6. SEGMENTED INFORMATION

The Company operates in one operating segment, that being the design, manufacture and sale of graphics and multimedia products for personal computers and consumer electronics devices.

The following table provides sales by geographic area and by product:

<i>(Thousands of US dollars)</i>	Three months ended		Twelve months ended	
	August 31		August 31	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Sales:				
Canada	\$ 3,566	\$ 3,875	\$ 23,104	\$ 31,119
United States	75,570	90,711	325,464	424,472
Europe	36,253	69,880	247,795	396,805
Asia-Pacific	113,743	114,761	441,446	430,669
Consolidated sales	\$ 229,132	\$ 279,227	\$1,037,809	\$1,283,065
Product sales:				
Components	\$ 122,375	\$ 125,654	\$ 481,083	\$ 499,859
Boards	105,105	151,318	548,053	778,015
Other	1,652	2,255	8,673	5,191
Consolidated sales	\$ 229,132	\$ 279,227	\$1,037,809	\$1,283,065
Capital and intangible assets:				
Canada			\$ 54,162	\$ 42,494
United States			297,417	421,955
Europe			5,071	5,364
Asia-Pacific			706	919
Consolidated capital and intangible assets			\$ 357,356	\$ 470,732

At August 31, 2001, one customer accounted for 17% and another customer accounted for 10% of the Company's consolidated accounts receivable balance (2000 - nil). In fiscal 2001, one customer accounted

for 19% of the Company's consolidated sales (2000 - one customer accounted for 13%; 1999 - one customer accounted for 16%).

7. U.S. GAAP

The following table reconciles the net income as reported on the consolidated statements of operations prepared in accordance with Canadian GAAP to the consolidated net income that would have been reported had the financial statements been prepared in accordance with U.S. GAAP:

<i>(Thousands of US dollars, except per share amounts)</i>	Three months ended		Twelve months ended	
	August 31		August 31	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Net income (loss) in accordance with Canadian GAAP	\$ (11,633)	\$ (45,208)	\$ (54,205)	\$ (69,334)
Adjustment to deferred income taxes	-	(64)	-	(124)
Effect of deferral accounting related to foreign exchange contracts	-	370	-	-
Tax effect of stock options exercised	(78)	(436)	(346)	(3,550)
Write off of purchased in-process research and development	-	-	-	(50,950)
Amortization of purchased in-process research and development	-	12,738	30,151	20,695
Amortization difference between Canadian and U.S. GAAP	2,235	1,938	7,326	3,149
Net income (loss) in accordance with U.S. GAAP	\$ (9,476)	\$ (30,662)	\$ (17,074)	\$ (100,114)
Net income (loss) per share				
Basic	\$ (0.04)	\$ (0.13)	\$ (0.07)	\$ (0.47)
Diluted	\$ (0.04)	\$ (0.13)	\$ (0.07)	\$ (0.47)
Weighted average number of shares (000's):				
Basic	231,938	229,236	230,880	215,124
Diluted	231,938	229,236	230,880	215,124