



ATI TECHNOLOGIES INC.

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ATI Reports Record Revenues in the First Quarter

Markham — December 19, 2003 — ATI Technologies Inc. (TSX: ATY, NASDAQ: ATYT), today announced its financial results for the first quarter of fiscal 2004, ending November 30, 2003. ATI reported record revenues¹ of U.S. \$469.7 million, a 40% increase relative to the first quarter of fiscal 2003. Gross margin showed continued strength at 35.9%. Net income per share for the quarter was \$0.19 compared to \$0.03 for the same period last year. Adjusted net income² per share for the quarter was \$0.19.

Strong performance in desktop discrete products, based on increasing penetration of the add-in-board and system integrator (SI) channel led the revenue growth. Gross margin percentage showed continued strength throughout the quarter based on ATI's competitive product line-up.

Other highlights included: initiating volume shipments of desktop integrated graphics processors; sampling the world's first PCI Express video processor in anticipation of the PC market transition in 2004; and continuing volume shipments of the IMAGEON multimedia coprocessor.

“Product leadership is enabling ATI to win new customers and penetrate new markets today,” said KY Ho, Chairman and Chief Executive Officer of ATI. “Our focused execution on delivering our product roadmap is attracting new channel partners and establishing broader distribution for the future.”

¹ All dollar amounts are stated in U.S. dollars unless otherwise noted. All per share amounts are stated on a diluted basis unless otherwise noted.

² Please see the table titled “Adjusted Net Income – Reconciliation” in Management’s Discussion and Analysis of Interim Financial Results in this release for the reconciliation between adjusted net income and net income which is determined in accordance with generally accepted accounting principles or GAAP.

Outlook

Based on the strength of the Company's product line, increased SI channel penetration, and an improving PC market, the Company anticipates that its results for the second quarter of fiscal 2004 will be stronger than typical seasonality. ATI expects revenues to be in the range of \$430 - \$470 million. Gross margin, as a percentage of revenues, is expected to be in the upper half of its target range of 32 – 35%. Operating expenses, excluding amortization of intangible assets and other charges, are expected to be approximately the same as the first quarter of fiscal 2004.

Management's Discussion and Analysis of Interim Financial Results

The following discussion and analysis should be read in conjunction with the attached consolidated financial statements and accompanying notes.

Revenues

ATI's revenues for the first quarter of fiscal 2004 were \$469.7 million, a 23% increase over the fourth quarter of fiscal 2003 and a 40% increase over the first quarter a year ago.

The increase in revenues compared to the fourth quarter of 2003 was primarily due to increased shipments of desktop discrete products.

The increase in revenues compared to the first quarter a year ago was the result of increased sales of ATI's desktop discrete products; greater penetration of AIB and ODM channels; improved sales of notebook discrete and integrated processors due to continued growth of the notebook market and a growing contribution from the consumer business.

Gross Margin

Gross margin for the first quarter improved 30 basis points to 35.9% of revenues compared to the fourth quarter of fiscal 2003 and increased by 8.7 percentage points over the same period last year. Gross margin grew compared to the same period last year as a result of improved margins on sales of desktop discrete, notebook integrated and consumer products. Gross margin in the first quarter of fiscal 2003 was also negatively affected by a writedown in inventory, as well as a slower than anticipated transition in the implementation of cost reductions during the quarter.

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Operating Expenses

Operating expenses, excluding the amortization of intangibles and other charges, were \$106.7 million in the first quarter, up from \$99.5 million in the fourth quarter of fiscal 2003, and up from \$79.9 million in the first quarter a year ago. Operating expenses in the fourth quarter of fiscal 2003 included a non-recurring charge of approximately \$6.0 million, consisting of incentive compensation and other expenses associated with the signing of a development agreement.

The increase relative to the prior quarter was largely the result of an increase in expenses related to the Company's recently adopted Restricted Share Unit (RSU) program. A component of the program was a one-time cash payment to non-executive employees. Expenses during the first quarter also reflected higher CAD-related licensing fees, higher advertising and marketing expenditures as well as incentive-based compensation expenses.

The increase in operating expenses relative to the first quarter of fiscal 2003 was largely due to the factors noted above as well as an increase in staffing levels to support the Company's growth and the impact of foreign currency exchange resulting from the rise of the Canadian dollar relative to the U.S. dollar. A substantial portion of the Company's operating expenses are incurred in Canadian dollars.

Other Charges

The Company incurred other charges during the quarter that have been excluded from the Company's adjusted net income calculation totaling \$0.2 million. Please see Note 7 to the consolidated financial statements for further disclosure.

Total Operating Expenses

Total operating expenses reflect the operating expenses detailed earlier, as well as the amortization of intangible assets and other charges. For further information on the treatment of the amortization of intangible assets, please see Note 3 to the consolidated financial statements.

Interest and Other Income (Loss)

Interest and other income recorded a loss of \$1.8 million in the first quarter compared to a gain of \$0.7 million in the fourth quarter of fiscal 2003, and a gain of \$0.5 million for the same period a year ago, due to the writedown of fixed assets.

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Net Income

Net income in the first quarter of fiscal 2004 was \$47.4 million or \$0.19 per share compared to net income of \$22.3 million or \$0.09 per share for the fourth quarter of fiscal 2003 and net income of \$7.3 million or \$0.03 per share for the first quarter last year.

The increase in net income sequentially was primarily the result of higher revenues and gross margin. The \$40.1 million increase in net income compared to the same period a year ago was primarily due to higher revenues and gross margin, partly offset by higher total operating expenses.

Adjusted net income³ for the first quarter was \$49.0 million or \$0.19 per share compared to \$29.0 million or \$0.12 per share for the previous quarter and \$9.3 million or \$0.04 per share recorded in the same period last year. Increased revenues and associated gross margin, partly offset by higher operating expenses, were largely responsible for the increase in adjusted net income relative to both comparative periods.

Liquidity and Financial Resources

Inventory levels increased to \$224.6 million at the end of the first quarter of 2004 from \$176.5 million at the end of the fourth quarter of fiscal 2003. Higher inventory levels generally reflect the higher current level of sales.

Receivables were \$269.0 million at the end of the first quarter, up \$34.4 million from the end of fiscal 2004, consistent with the increase in sales in the quarter.

³ Adjusted net income excludes the after-tax effect of gain on investments, after-tax effect of other charges described in Note 7 to the consolidated financial statements, amortization of intangible assets related to the Company's acquisitions, and deferred tax recovery of future tax liability pertaining to intangible assets acquired, related to the Company's acquisitions. Each of these items has been excluded from adjusted net income as they are not considered to be part of the Company's normalized operations. While the Company recognizes that adjusted net income does not have any standardized meaning described by generally accepted accounting principles, or GAAP, and that its adjusted net income calculation cannot be used as a comparison to other companies' financial performance, ATI believes that its adjusted net income more appropriately reflects the Company's operating performance. Please see the table titled "Adjusted Net Income – Reconciliation" at the end of this release for the reconciliation between adjusted net income and net income which is determined in accordance with GAAP.

ATI Reports Record Revenues in the First Quarter

As of November 30, 2003, ATI had working capital of \$478.9 million, compared to \$430.3 million at August 31, 2003. ATI's cash flow from operations was \$37.3 million in the first quarter of fiscal 2004. The Company's cash position, including short-term investments, was \$380.0 million as of quarter-end, compared to \$350.7 million at the end of fiscal 2003. ATI's cash position increased as a result of an increase in earnings, offset by purchases of shares related to the recently adopted RSU program.

Intangible assets other than goodwill increased slightly to \$10.1 million at the end of the first quarter of fiscal 2004, from \$8.8 million at August 31, 2003. The increase in these assets was due to the acquisition of AMI Technologies Inc., of which \$2.9 million of the purchase price was allocated to intangible assets.

Adjusted Net Income - Reconciliation

The table below presents adjusted net income and adjusted net income per share, which excludes the after-tax effect of gain on investments, after-tax effect of other charges, amortization of intangible assets related to the Company's acquisitions, and deferred tax recovery of future tax liability pertaining to intangible assets acquired, related to the Company's acquisitions.

(Thousands of US dollars, except per share amounts)

	Three months ended	
	November 30	
	2003	2002
	<i>(Unaudited)</i>	
		(Restated)
Net income – GAAP basis	\$ 47,439	\$ 7,344
Amortization of intangible assets	1,542	3,165
Other charges	173	-
Gain on investments	-	(32)
Tax recovery of other charges	(62)	-
Net tax on sale of investments	-	6
Deferred tax recovery of future tax liability on intangible assets	(132)	(1,141)
Adjusted net income	\$ 48,960	\$ 9,342
Adjusted net income per share		
Basic	\$ 0.20	\$ 0.04
Diluted	\$ 0.19	\$ 0.04
Weighted average number of shares (000's):		
Basic	242,998	236,947
Diluted	253,792	243,298

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Forward-looking Statements and Uncertainties

Certain statements in this release constitute “forward-looking statements.” When used in this release, words such as “plans,” “intends,” “anticipates,” “should,” “estimates,” “expects,” “believes,” “indicates,” “targeting,” “suggests,” 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 release and in the Company’s 2003 Annual Report and 2002 Annual Information Form. As a result of these risks and uncertainties, the Company’s operating results and common share price may be subject to significant volatility, particularly on a quarterly basis. For example, the markets for the Company’s products are characterized by changing market conditions, frequent new product introductions, seasonal and variable demand and rapid technology changes. Other factors that could cause the Company’s results to vary include, but are not limited to, lack of growth or declines in the demand for PCs, gaming consoles and consumer electronic devices in which the Company’s products are incorporated, reductions in the Company’s average selling prices for its products and reduced gross margins due to competitive pressures and other factors, the introduction of new products by the Company’s competitors which render the Company’s products non-competitive, delays encountered by the Company in developing new products or enhancements, including integrated graphics and core logic components, in the time frame required by its customers or lack of acceptance by customers of these products, delays in manufacturing, unfavourable manufacturing yields or capacity shortfalls experienced by the Company’s independent foundries, unexpected variances in material costs, including silicon wafer, memory and printed circuit boards, and constraints on the supply of components utilized in the Company’s products and in the PC industry generally. These risks and uncertainties could cause or contribute to actual results that are materially different from those anticipated or experienced in the past. Additional information concerning factors that could cause the Company’s financial results to fluctuate is contained in the Company’s filings with Canadian and U.S. 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 Technologies Inc. will host a conference call to discuss its financial results for the first quarter results today, Friday, December 19, 2003 at 8:30 AM (EDT) (5:30 AM Pacific, 6:30 AM Mountain, 7:30 AM Central). To participate in the conference call, please dial **416-405-9328** ten minutes before the scheduled start of the call. No password is required. A live web cast of the conference call will be available at <http://www.ati.com/companyinfo/ir/quarterlyresults.html> under the Financial Information section, 2004 Conference Calls – Q1 2004. Replays of the conference call will be available through December 26, 2003. Replay information is as follows: **Replay: 416-695-5800 Passcode: 1494142**. A web cast replay will be available at the web site noted above.

About ATI Technologies

ATI Technologies Inc. is a world leader in the design and manufacture of innovative 3D graphics and digital media silicon solutions. An industry pioneer since 1985, ATI is the world’s foremost visual processor unit (VPU) provider and is dedicated to deliver leading-edge performance solutions for the full range of PC and Mac desktop and notebook platforms, workstation, set-top and digital television, game console and handheld markets. With 2003 revenues in excess of \$1.3 billion, ATI has more than 2,200 employees in the Americas, Europe and Asia. ATI common shares trade on NASDAQ (ATYT) and the Toronto Stock Exchange (ATY).

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ATI TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(Unaudited)

(Thousands of US dollars, except per share amounts)

	Three months ended			
	November 30 2003		November 30 2002	
	(Restated)			
Revenues	\$ 469,705	100.0%	\$ 335,436	100.0%
Cost of goods sold	301,083	64.1%	244,251	72.8%
Gross margin	168,622	35.9%	91,185	27.2%
Expenses				
Selling and marketing	31,246	6.7%	22,247	6.6%
Research and development	63,793	13.6%	48,450	14.4%
Administrative	11,607	2.5%	9,212	2.8%
Amortization of intangible assets	1,542	0.3%	3,165	1.0%
Other charges (Note 7)	173	-	-	-
	108,361	23.1%	83,074	24.8%
Income from operations	60,261	12.8%	8,111	2.4%
Interest and other income (loss)	(1,754)	(0.4%)	540	0.2%
Gain on investments	-	-	32	-
Interest expense	(515)	(0.1%)	(426)	(0.1%)
Income before income taxes	57,992	12.3%	8,257	2.5%
Income taxes	10,553	2.2%	913	0.3%
Net income	\$ 47,439	10.1%	\$ 7,344	2.2%
Retained earnings, beginning of period	104,026		68,797	
Retained earnings, end of period	\$ 151,465		\$ 76,141	
Net income per share (Note 8)				
Basic	\$ 0.20		\$ 0.03	
Diluted	\$ 0.19		\$ 0.03	
Weighted average number of shares (000's)				
Basic	242,998		236,947	
Diluted	253,792		243,298	
Outstanding number of shares at the end of the quarter (000's)	242,771		236,989	

See accompanying notes to consolidated financial statements. These financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, as at and for year ended August 31, 2003.

ATI TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of US dollars)

	November 30 2003	August 31 2003 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 379,977	\$ 300,905
Short-term investments	-	49,784
Accounts receivable	268,990	234,548
Inventories	224,607	176,494
Prepayments and sundry receivables	25,366	31,753
Future income tax assets	4,415	3,772
Total current assets	903,355	797,256
Capital assets	82,711	86,890
Intangible assets (Note 3)	10,131	8,811
Goodwill (Note 3)	190,095	190,095
Long-term investments	3,960	3,960
Tax credits recoverable	18,964	21,181
Future income tax assets	8,373	7,865
Total Assets	\$ 1,217,589	\$ 1,116,058
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 229,885	\$ 191,196
Accrued liabilities	152,278	136,709
Deferred revenue	40,773	37,669
Current portion of long-term debt (Note 5)	1,511	1,394
Total current liabilities	424,447	366,968
Long-term debt (Note 5)	29,538	28,073
Future income tax liabilities	21,981	21,408
Total liabilities	475,966	416,449
Shareholders' equity:		
Share capital	598,458	582,454
Treasury stock (Note 11)	(22,100)	-
Contributed surplus	5,526	4,855
Retained earnings	151,465	104,026
Currency translation adjustment	8,274	8,274
Total shareholders' equity	741,623	699,609
Total Liabilities and Shareholders' Equity	\$ 1,217,589	\$ 1,116,058

See accompanying notes to consolidated financial statements. These financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, as at and for year ended August 31, 2003.

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

	Three months ended November 30	
	2003	2002
Cash provided by (used in):		(Restated)
Operating activities:		
Net income	\$ 47,439	\$ 7,344
Add items not affecting working capital:		
Tax credits recoverable	2,217	(4,536)
Future income taxes	(578)	(635)
Stock based compensation	671	-
Depreciation and amortization	6,602	9,243
Gain on investments	-	(32)
Gain on sale of long-lived assets (Note 7)	(538)	-
Foreign exchange loss	1,331	182
Net changes in non-cash working capital balances relating to operations:		
Accounts receivable	(34,442)	(63,756)
Inventories	(48,113)	13,179
Prepayments and sundry receivables	6,387	(504)
Accounts payable	38,689	(3,084)
Accrued liabilities	14,527	11,607
Deferred revenue	3,104	(124)
	37,296	(31,116)
Financing activities:		
Decrease in bank indebtedness	-	(12,015)
Addition to long-term debt	-	10,709
Principal payment on long-term debt	(344)	(137)
Settlement of swap contract	-	(1,365)
Issuance of common shares	16,004	293
Repurchase of common shares (Note 11)	(22,100)	-
	(6,440)	(2,515)
Investing activities:		
Maturity of short-term investments	49,784	49,649
Additions to capital assets	(2,583)	(3,127)
Proceeds from sale of investments	-	280
Proceeds from sale of long-lived assets (Note 7)	2,489	-
Acquisitions, net of cash acquired (Note 2)	(2,069)	-
	47,621	46,802
Foreign exchange gain (loss) on cash held in foreign currency	595	(174)
Increase in cash and cash equivalents	79,072	12,997
Cash and cash equivalents – beginning of period	300,905	187,126
Cash and cash equivalents – end of period	379,977	200,123
Cash position – end of period	\$ 379,977	\$ 200,123

Cash position is defined as cash and cash equivalents and short-term investments. See accompanying notes to consolidated financial statements. These financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, as at and for year ended August 31, 2003.

ATI TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2003

(Unaudited)

The principal business activities of ATI Technologies Inc. (the "Company") are the design, manufacture and sale of innovative 3D graphics and digital media silicon solutions. The Company markets its products to original equipment manufacturers, system builders, distributors and retailers primarily in North America, Europe and the Asia-Pacific region.

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed to include only the notes related to elements which have significantly changed in the interim period. As a result, these interim consolidated financial statements do not contain all disclosures required to be included in the annual financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and notes thereto for the year ended August 31, 2003.

The financial information included herein reflects all adjustments (consisting only of normal recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended November 30, 2003 are not necessarily indicative of the results to be expected for the full year.

During fiscal 2003, the Company reviewed its revenue recognition accounting policy as it is applied to the shipment of products to its customers. Following this review, the Company corrected its revenue recognition accounting policy by revising the timing of when revenue is recognized to more clearly identify the point in the shipping process when the risks and rewards of ownership have been transferred to the customer. This change, and the related income tax effect, have been applied retroactively. The financial statements presented for comparative purposes have been restated to give effect to this change.

The impact of this change on the first quarter of fiscal 2003 is as follows:

(Thousands of US dollars, except per share amounts)

	Three months ended
	November 30, 2002
<hr/>	
Revenues	
As previously reported	\$ 322,020
As restated	335,436
Net income	
As previously reported	\$ 4,988
As restated	7,344
Net income per share	
Basic and diluted:	
As previously reported	0.02
As restated	0.03

ATI TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2003

(Unaudited)

2. ACQUISITIONS

In September 2003, the Company acquired certain assets located in Taiwan and China from AMI Technologies Inc.. The purchase price for this acquisition was financed with cash and allocated to the net assets acquired, including intangible assets of \$2.9 million, based on their relative fair values at the date of acquisition. The useful life of the intangible assets acquired is approximately one year.

3. GOODWILL AND INTANGIBLE ASSETS

The net book values of goodwill and intangible assets acquired at November 30, 2003 and August 31, 2003 are as follows :

(Thousands of US dollars)

	Cost	Accumulated amortization	Net book value	Net book value
	November 30, 2003		August 31, 2003	
Purchased in-process R & D	\$ 56,250	\$ 56,250	\$ -	\$ -
Core technology	23,670	15,685	7,985	8,811
Other	2,862	716	2,146	-
Total intangible assets	\$ 82,782	\$ 72,651	\$ 10,131	\$ 8,811
Goodwill	\$ 376,788	\$ 186,693	\$ 190,095	\$ 190,095

Amortization expense related to intangible assets amounted to \$1.5 million for the three months ended November 30, 2003 (2003 – \$3.2 million).

4. CREDIT FACILITY

The Company maintains demand bank credit facilities aggregating \$26.4 million with a single financial institution. There are no borrowings outstanding under these facilities.

5. LONG-TERM DEBT

(Thousands of US dollars)

	Interest rate	November 30 2003	August 31 2003
Obligation under capital lease (i)	6.31%	\$ 18,781	\$ 17,785
Mortgage payable (ii)	6.96%	12,268	11,682
		31,049	29,467
Current portion of long-term debt		1,511	1,394
Total		\$ 29,538	\$ 28,073

(i) Obligation under capital lease :

The Company's obligation under capital lease represents the lease on the building facility occupied by the Company in Markham, Ontario ("Building Facility").

(ii) Mortgage payable :

On September 10, 2002, Commerce Valley Realty Holding Inc. ("CVRH"), a joint venture in which the Company has a 50 per cent ownership interest, entered into a mortgage agreement with a lender to finance the Building Facility. The Company's proportionate share of the mortgage as at November 30, 2003 amounted to \$12.3 million (Cdn. \$15.9 million), and the mortgage has a repayment term of 12 years bearing interest at a rate of 6.96 per cent per annum. The underlying mortgage is denominated in Canadian dollars.

6. GUARANTEE

The Company and other owners of CVRH have jointly and severally provided a guarantee for the mortgage payment of the Building Facility. In the event that CVRH is unable to meet the underlying mortgage payment to the lender, the Company and other owners of CVRH will be jointly and severally responsible under this guarantee. The monthly mortgage interest and principal payment amounts to approximately \$0.3 million. The mortgage has a repayment term of 12 years with a maturity date on November 1, 2014. As of November 30, 2003, the outstanding amount of the mortgage stood at \$24.5 million (Cdn. \$31.9 million).

In addition, the Company posted a letter of credit in the amount \$2.3 million (Cdn. \$3.0 million) in favour of CVRH. CVRH has assigned this letter of credit to the exclusive benefit of the lender as additional security of the mortgage. The letter of credit has a term of 5 years and will expire on November 5, 2007. In the event of a lease default by the Company, the proceeds of the letter of credit will be paid to the lender.

ATI TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2003
(Unaudited)

7. OTHER CHARGES

Other charges are comprised of the following items:

(Thousands of US dollars)

	Three months ended	
	November 30	
	2003	2002
Regulatory matters (i)	\$ 711	\$ -
Restructuring charge – European operations (ii)	(538)	-
Total	\$ 173	\$ -

(i) Regulatory Matters

In January 2003, the Company announced that Staff of the Ontario Securities Commission (“OSC”) had filed a Notice of Hearing and Statement of Allegations (“Notice”) in relation to ATI and others. The Notice alleged that ATI failed to disclose information concerning the shortfall in revenues and earnings that occurred in the third quarter of fiscal 2000, as required by the listing rules of the Toronto Stock Exchange. The Notice also alleged that ATI made a misleading statement to Staff of the Commission in August 2000 regarding the events leading up to the disclosure on May 24, 2000 of the shortfall. Seven individuals are also named in the Notice. The Notice alleged that six of these individuals, including K.Y. Ho, the Chairman and Chief Executive Officer of the Company, engaged in insider trading contrary to the Securities Act. The hearing has been set for February – March 2004. The Board of Directors set up a special committee and retained advisors to conduct an independent review of the concerns raised by OSC staff.

The Company has incurred external charges in connection with this matter totaling \$0.7 million during the three months ended November 30, 2003 (2003 – nil).

7. OTHER CHARGES (CONTINUED)

(ii) Restructuring charge – European operations

The following table details the activity through the restructuring liabilities accrual for the interim period ended November 30, 2003:

(Thousands of US dollars)

	Three months ended	
	November 30	
	2003	2002
Balance at September 1, 2003	\$ 4,246	\$ -
Provision	-	-
Cash payments	(3,237)	-
Balance at November 30, 2003	\$ 1,009	\$ -

- (a) During the second quarter of fiscal 2003, the Company announced the closure of ATI Technologies (Europe) Limited (“ATEL”), its subsidiary in Dublin, Ireland and recorded a pre-tax charge of \$2.8 million. The charge included a \$1.4 million write-down of the building facility in Dublin, Ireland to fair value less cost to sell. The Company completed the major components of the exit plan for ATEL in July 2003.

During the current quarter, the Company was able to sell the building facility at a higher price resulting in a recovery of \$0.5 million from the restructuring charge. The Company also paid out the remaining cash portion of the restructuring charge of \$0.5 million during the quarter.

- (b) During the fourth quarter of fiscal 2003, the Company decided to discontinue the operations of ATI Research GmbH, its FireGL product division located in Starnberg, Germany, in order to consolidate its research and development activities. As a result, the Company recorded a pre-tax charge of \$3.8 million for the quarter pertaining to the closure of ATI Research GmbH.

During the current quarter, the Company made cash payments of \$2.7 million relating to the pre-tax charge set-up in the fourth quarter of fiscal 2003. The Company expects to complete the major components of its exit plan for ATI Research GmbH by December 2003.

ATI TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2003
(Unaudited)

8. NET INCOME PER SHARE

The following table presents a reconciliation of the numerators and denominators used in the calculations of the basic and diluted net income per share:

(Thousands of US dollars, except per share amounts)

	Three months ended November 30	
	2003	2002 (Restated)
Net income	\$ 47,439	\$ 7,344
Weighted average number of common shares outstanding (000's):		
Basic	242,998	236,947
Effect of dilutive securities	10,794	6,351
Diluted	253,792	243,298
Net income per share		
Basic	\$ 0.20	\$ 0.03
Diluted	\$ 0.19	\$ 0.03

Certain options that are anti-dilutive were excluded from the calculation.

ATI TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2003
(Unaudited)

9. SUPPLEMENTAL CASH FLOW INFORMATION

(Thousands of US dollars)

	Three months ended	
	November 30	
	2003	2002
Cash paid for:		
Interest	\$ 484	\$ 358
Income taxes	243	211
Interest received	\$ 1,012	\$ 1,084

10. SEGMENTED INFORMATION

The Company operates in one primary operating segment, that being the design, manufacture and sale of innovative 3D graphics and digital media silicon solutions.

The following tables provide revenues by geographic area and by product, as well as capital assets, intangible assets and goodwill by geographic area. The breakdown in revenues by geographic area in the following table is based on customer and royalty payer location, whereas the breakdown in capital assets, intangible assets and goodwill is based on physical location.

(Thousands of US dollars)

	Three months ended	
	November 30	
	2003	2002
		(Restated)
Revenues:		
Canada	\$ 6,293	\$ 6,717
United States	49,478	67,913
Europe	40,283	30,961
Asia-Pacific	373,651	229,845
Consolidated revenues	\$ 469,705	\$ 335,436
Product revenues:		
Components	\$ 373,989	\$ 214,126
Boards	82,250	107,120
Others	13,466	14,190
Consolidated revenues	\$ 469,705	\$ 335,436
Capital assets, intangible assets and goodwill:		
Canada	\$ 72,320	\$ 76,818
United States	207,347	217,144
Europe	234	4,551
Asia-Pacific	3,036	882
Consolidated capital assets, intangible assets and goodwill	\$ 282,937	\$ 299,395

11. STOCK-BASED COMPENSATION

(i) Stock options

For stock options granted to employees after September 1, 2002, had the Company determined compensation costs based on the “fair value” of the stock options at grant dates consistent with the method prescribed under CICA Handbook Section 3870, the Company’s net income per share would have been reported as the pro forma amounts indicated below:

(Thousands of US dollars, except per share amount)

	Three months ended	
	November 30	
	2003	2002
	(Restated)	
Net income for the period, as reported	\$ 47,439	\$ 7,344
Pro forma adjustment for stock-based compensation	(1,502)	(18)
Pro forma net income	\$ 45,937	\$ 7,326
Pro forma net income per share:		
Basic	\$ 0.19	\$ 0.03
Diluted	\$ 0.18	\$ 0.03

The weighted average estimated fair values at the date of grant for the stock options granted for the three months ended November 30, 2003 and November 30, 2002 were \$8.34 and \$3.55 per share respectively. The “fair value” of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended	
	November 30	
	2003	2002
Risk-free interest rate	3.4%	3.8%
Dividend yield	0%	0.0%
Volatility factor of the expected market price of the common shares	72.6%	69.8%
Weighted average expected life of the options	4.2 years	4.1 years

11. STOCK-BASED COMPENSATION (CONTINUED)

(i) Stock options (continued)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

(ii) Restricted share units

During the current quarter, the Company announced that it adopted a plan to grant restricted share units ("RSUs") as part of its overall stock-based compensation plan. Under this plan, certain employees will receive an award in the form of an RSU. Each RSU entitles the holder to receive one common share on the vesting date of the RSUs. The RSUs vest on each anniversary of the grant in equal one-third instalments over a vesting period of three years. Stock-based compensation representing the underlying value of \$14.17 per common share of the Company at the date of grant of the RSUs is being recognized evenly over the three-year vesting period. On the vesting dates, the RSUs are settled by the delivery of common shares of the Company to the participants except for the participants residing outside of North America who will receive cash equivalent market value of the shares. Grants of RSUs to participants residing outside of North America are accounted for using variable plan accounting whereby the value of the RSUs and their related amortization are adjusted based on the underlying value of the Company's common shares at the end of each fiscal quarter. As at November 30, 2003, there were 1,556,239 RSUs awarded and outstanding of which none were vested.

The issuance of RSUs replaced the annual grant of options for the 2003 calendar year. In addition, a one-time cash payment of \$7.8 million was also awarded to the non-executive employees who were eligible for the RSU plan. This amount was expensed in the current quarter. The total expenses by functional areas incurred for the three months ended November 30, 2003 pertaining to the cash payment and amortization of RSUs are as follows:

(Thousands of US dollars)

	Three months ended November 30, 2003
Selling and marketing	\$ 1,176
Research and development	6,530
Administrative	841
	\$ 8,547

During the quarter, the Company advanced \$22.1 million to the trustee of the RSU plan to enable the trustee to purchase the Company's common shares in the open market. These shares are being held by the trustee in order to deliver such shares to the participants on the vesting dates of the RSUs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

12. 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:

(Thousands of US dollars, except per share amounts)

	Three months ended	
	November 30	
	2003	2002
		(Restated)
Net income in accordance with Canadian GAAP	\$ 47,439	\$ 7,344
Tax effect of stock options exercised	(2,230)	(64)
Loss on hedging transactions	28	9
Amortization of purchased in-process research and development	-	1,325
Stock compensation expenses (i), (ii)	(2,879)	(4,308)
Net income in accordance with U.S. GAAP	\$ 42,358	\$ 4,306
Net income per share:		
Basic	\$ 0.17	\$ 0.02
Diluted	\$ 0.17	\$ 0.02
Weighted average number of shares (000's):		
Basic	242,998	236,947
Diluted	253,792	243,298

12. U.S. GAAP (CONTINUED)

- (i) Under U.S. GAAP, options granted after January 18, 2001 with an exercise price denominated in a currency other than the currency of the primary economic environment of either the employer or the employee, should be accounted for under the variable accounting method. Under Canadian GAAP, there is no equivalent requirement. There were no such options granted after February 28, 2002.
- (ii) Under U.S. GAAP, the intrinsic value of the stock options issued under an incentive plan entered into in July 2002 is calculated as the increase in the Company's stock price between the grant date and the date on which all the conditions of the specified business arrangement were determined to have been met. The compensation expense is recognized over the vesting period of the options. Under Canadian GAAP, there is no equivalent requirement.