



For immediate release

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NEWS RELEASE

**ATI Technologies Inc. announces first quarter results**  
**First quarter sets revenue record of US\$414 million**

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**Toronto, Canada – January 13, 2000** - ATI Technologies Inc. (TSE:ATY, NASDAQ:ATYT), the world leader in 3D graphics/video acceleration and multimedia solutions today announced financial results for the company's first quarter ended November 30, 1999, achieving once again a record in revenues for the quarter.

Sales for the first three months were \$413.5 million, an increase of 26% from \$327.4 million for the same period last year. Adjusted net income for the first quarter, which excludes the amortization of acquired intangibles, rose 5% to \$54.5 million or 25 cents per share compared with \$52.0 million or 24 cents per share for the same period last year. (All per share amounts are expressed on a fully diluted basis).

Actual net income for the first quarter, including the amortization of acquired intangibles, was \$53.6 million or 25 cents per share, compared with \$50.1 million or 23 cents per share for the same period last year.

“Once again we have delivered a strong start to a new year”, said K. Y. Ho, ATI's president and CEO. “ATI approaches a bright future with growth prospects not only in our traditional PC business, but in new and burgeoning markets like consumer electronics appliances. We look forward to the year 2000 as these new markets continue to emerge.”

## ***Financial Highlights***

Sales in the first quarter reflected solid demand for ATI's RAGE 128 and RAGE MOBILITY products, which comprised a greater percentage of corporate revenues than in prior quarters. Demand for the company's XPERT series of board products was exceptionally robust. This quarter also mirrored a traditionally strong PC season, in addition to the company's quick reaction to manage the impact of the earthquake in Taiwan. Gross margins declined to 34.1% for the first quarter compared with 36.6% for the same quarter last year. The aforementioned shifting in product mix, as well as increased material costs used in the company's products, contributed to gross margin decreases.

In-line with increased activity and sales, operating costs (excluding the amortization of intangibles) in the first quarter increased 43% year-over-year to \$73.1 million, up from \$51.0 million for the first quarter in 1999. Increased operating costs were largely attributable to incremental sales, marketing and R&D expenses to support an increased number of product programs including desktop, mobile and set-top components and boards. During the quarter the company's operating tax rate decreased to 21%. Net earnings after taxes rose to \$53.6 million or 13.0% of sales versus \$50.1 million or 15.3% of sales for the corresponding quarter of 1999.

For the first quarter, the company's cash position increased by \$7.0 million after financing and investing activities to stand at \$102.5 million at November 30, 1999. During the quarter, working capital increased from \$294.4 million at the end of the fourth quarter to \$340.1 million at the end of the first quarter of fiscal 2000. Accounts receivable and inventory balances increased during the quarter to \$261.4 million and \$212.0 million, respectively. Days sales in accounts receivable decreased to 46 days in the first quarter from 47 days in the fourth quarter of 1999.

Also during the quarter, ATI repurchased 725,300 of its common shares for cancellation via a normal course issuer bid at prices ranging from Cdn\$14.08 to Cdn\$14.14. The excess of the cost of repurchasing the company's shares over their stated capital has been charged to retained earnings.

### *Operational Highlights*

During the quarter, ATI announced a number of new products to much critical acclaim from industry analysts and the media alike. An example, and to support the company's target as the number one mobile graphics vendor, ATI announced the RAGE MOBILITY 128. Pin compatible with previous MOBILITY products, the MOBILITY 128 provides OEMs with an effective migration path to the world's fastest graphics subsystem for notebook PCs. ATI also announced the ALL-IN-WONDER 128 PRO, the latest generation of the company's highly successful combination TV-tuner and video/graphics multimedia board. ATI introduced the XPERT 2000 PRO add-in board, a low cost 32MB 2D, 3D and DVD board for the SI, OEM and mainstream market, and the RAGE FURY MAXX, a dual-chip accelerator board judged the fastest on the market and aimed at the influential "power gamer" market segment.

ATI set an industry record in October, shipping more than two million boards in the month and unveiled an extensive range of AGP 4X products to coincide with the newly-announced Intel i820 AGP 4X chipset. ATI also announced its endorsement of the Open Source movement and its official support for the Linux operating system (OS), ensuring future products will support systems featuring the Linux OS.

ATI continued on its quest to become the undisputed leader in the mobile market, announcing one million MOBILITY graphics accelerators had been shipped during the most recent four-month period. The company also unveiled a further series of design wins, including Gateway, NEC, several of Dell's latest systems, and the entire HP OmniBook 4150 and 900 notebook PC lines. ATI was also chosen for an IBM notebook PC for the first time, putting ATI mobile graphics in products from nine of the top ten notebook OEMs.

ATI also continued its leading position in the desktop marketplace. The RAGE 128 and other ATI products were selected for new systems introduced by Toshiba, SUN Microsystems, Acer, Fujitsu, eMachines, the new family of Apple iMacs, and China's leading PC maker, Legend Computer Systems.

This press release contains forward-looking statements that involve risks and uncertainties. Actual results may be materially different from those contained in such forward-looking statements. 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 historic prices or margins, its operating results will be adversely affected. 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.

### ***About ATI***

ATI Technologies Inc., the world's largest supplier of 3D graphics and multimedia technology, designs, manufactures and markets innovative and award-winning multimedia solutions and graphics components for the personal computer, set-top box and consumer electronics appliance markets. An ISO 9002 company, ATI is the world's leading supplier of video and 2D/3D graphics accelerators to OEM and retail customers. Founded in 1985, ATI employs more than 1,800 people at headquarters in Thornhill, Ontario, and in offices in the United States, Germany, France, the United Kingdom, Ireland, Barbados, Malaysia, Japan and Hong Kong. ATI is a public company whose shares trade on the Toronto Stock Exchange and NASDAQ.

Replays of the company's conference call reviewing the first quarter results will be available at approximately 12:00 pm EST by calling (416)-695-5800, passcode number 374874.

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ATI TECHNOLOGIES INC.  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(Thousands of US dollars, except per share amounts)*

	Three months ended			
	November 30		1998	
	1999	(unaudited)	1998	
<b>Sales</b>	\$413,527	100.0%	\$327,388	100.0%
Cost of goods sold	272,663	65.9%	207,433	63.4%
	140,864	34.1%	119,955	36.6%
<b>Expenses</b>				
Selling and marketing	36,351	8.8%	26,095	8.0%
Research and development	29,526	7.1%	17,742	5.4%
Administrative	7,199	1.8%	7,172	2.2%
Amortization of intangible assets	887	0.2%	1,925	0.6%
	73,963	17.9%	52,934	16.2%
<b>Income from operations</b>	66,901	16.2%	67,021	20.4%
Interest and other income	1,189	0.3%	1,421	0.5%
Interest expense	(32)	-	(82)	-
Income before income taxes	68,058	16.5%	68,360	20.9%
Income taxes	14,478	3.5%	18,274	5.6%
<b>Net income</b>	\$ 53,580	13.0%	\$ 50,086	15.3%
<b>Net income per share</b>				
Basic	\$0.26		\$0.25	
Fully diluted	\$0.25		\$0.23	
<b>Weighted average number of shares (000's)</b>				
Basic	204,918		199,401	
Fully diluted	222,695		218,265	
<b>Outstanding number of shares at the end of the quarter (000's)</b>	204,519		199,607	

See accompanying notes to consolidated financial statements

**ADJUSTED NET INCOME**

*(Thousands of US dollars, except per share amounts)*

<b>Adjusted net income</b> <sup>(1)</sup>	\$54,467	\$52,011
<b>Adjusted net income per share</b>		
Basic	\$0.27	\$0.26
Fully diluted	\$0.25	\$0.24

<sup>(1)</sup> Adjusted net income excludes the amortization of intangible assets.

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

	<b>November 30</b>	
	<b>1999</b>	<b>1998</b>
	(unaudited)	
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$102,494	\$ 90,937
Accounts receivable	261,434	164,749
Inventories	212,019	115,058
Prepayments and sundry receivables	17,682	13,733
<b>Total current assets</b>	<b>593,629</b>	<b>384,477</b>
Capital assets	59,317	41,042
Intangible assets	17,921	68,944
Long-term investments	12,500	31,639
<b>Total assets</b>	<b>\$683,367</b>	<b>\$526,102</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Bank indebtedness	\$ -	\$ 2,282
Accounts payable	169,514	137,321
Accrued liabilities	55,132	46,249
Income taxes payable	28,874	27,537
<b>Total current liabilities</b>	<b>253,520</b>	<b>213,389</b>
Deferred income taxes	5,800	5,700
<b>Shareholders' equity</b>		
Share capital	92,903	79,986
Retained earnings	322,870	218,753
Currency translation adjustment	8,274	8,274
<b>Total shareholders' equity</b>	<b>424,047</b>	<b>307,013</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$683,367</b>	<b>\$526,102</b>

See accompanying notes to consolidated financial statements

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

	Three months ended November 30	
	1999	1998
	(unaudited)	
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net income	\$ 53,580	\$ 50,086
Add items not affecting working capital:		
Deferred income taxes	1,400	283
Depreciation	4,231	2,454
Amortization of intangible assets	887	1,925
Foreign exchange (gain) loss	10	(848)
Net changes in non-cash working capital balances relating to operations:		
Accounts receivable	(82,889)	(13,290)
Inventories	(21,114)	(1,390)
Prepayments and sundry receivables	(2,030)	(1,029)
Accounts payable	66,417	34,396
Accrued liabilities	2,295	3,747
Income taxes payable	(1,404)	(2,067)
	21,383	74,267
<b>Financing activities:</b>		
Increase in bank indebtedness	-	2,282
Issuance of common shares	547	560
Common shares purchased for cancellation	(6,929)	-
	(6,382)	2,842
<b>Investing activities:</b>		
Maturity of short-term investments	10,000	39,192
Additions to capital assets	(7,964)	(5,379)
Acquisition, net of cash acquired \$2,039	-	(25,549)
	2,036	8,264
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>	(10)	848
<b>Increase in cash</b>	17,027	86,221
<b>Cash and cash equivalents - beginning of period</b>	85,467	4,716
<b>Cash and cash equivalents - end of period</b>	\$102,494	\$ 90,937
Bank indebtedness	-	(2,282)
<b>Cash position - end of period</b>	\$102,494	\$ 88,655

Cash position is defined as cash and cash equivalents and short-term investments, net of bank indebtedness.  
See accompanying notes to consolidated financial statements.

ATI TECHNOLOGIES INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

November 30, 1999

(unaudited)

**1. 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:

	Three months ended <b>November 30</b>	
	<b>1999</b>	<b>1998</b>
	<i>(unaudited)</i>	
<i>(Thousands of US dollars, except per share amounts)</i>		
Net income in accordance with Canadian GAAP	\$ 53,580	\$ 50,086
Adjustment to deferred income taxes	65	(200)
Effect of deferral accounting related to foreign exchange contracts	-	1,460
Write-off of purchased in-process research and development (note a)	-	(49,300)
Amortization of purchased in-process research and development (note a)	-	1,826
<b>Net income in accordance with U.S. GAAP</b>	<b>\$ 53,645</b>	<b>\$ 3,872</b>
<b>Net income per share</b>		
Basic	\$0.26	\$0.02
Diluted	\$0.25	\$0.02
<b>Weighted average number of shares (000's):</b>		
Basic	204,918	199,401
Diluted	212,503	210,654

- (a) Under Canadian GAAP, purchased in-process research and development is amortized over its estimated useful life and asset recoverability is reviewed on an ongoing basis. Under U.S. GAAP, purchased in-process research and development acquired by the Company is written off at the time of acquisition.

## 2. 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:

	Three months ended November 30	
	1999	1998
	<i>(Thousands of US dollars, except per share amounts)</i>	
	<i>(unaudited)</i>	
<b>Sales:</b>		
Canada	\$ 15,071	\$ 10,594
United States	118,544	111,354
Europe	158,988	125,726
Asia-Pacific	120,924	79,714
<b>Consolidated sales</b>	<b>\$ 413,527</b>	<b>\$ 327,388</b>
<b>Product sales:</b>		
Components	\$ 125,127	\$ 113,252
Boards	288,400	214,136
<b>Consolidated sales</b>	<b>\$ 413,527</b>	<b>\$ 327,388</b>

## 3. NORMAL COURSE ISSUER BID

During the quarter, the Company obtained approval from The Toronto Stock Exchange to proceed with a normal course issue bid to purchase up to 10,000,000 common shares during the 12-month period ending November 3, 2000.

In the three month period ended November 30, 1999, the Company repurchased 725,300 of its common shares for \$6.9 million. The repurchased shares were subsequently cancelled.

#### **4. YEAR 2000 ISSUE**

##### **Year 2000 Readiness**

As previously reported, ATI met its corporate target and achieved Year 2000 compliance at June 30, 1999 for all critical systems. ATI's key suppliers also achieved Year 2000 compliance in the same time frame.

##### **Year 2000 Rollover**

ATI and all of ATI's key suppliers achieved a successful Year 2000 rollover. The Company's IT function completed worldwide systems and network testing on January 2, 2000 and established the full operability of the Company's enterprise wide ERP and financial system, of the worldwide computer network (hardware and software) and also of all other communications systems. Similarly, the ATI worldwide Year 2000 function/site coordinators confirmed full internal and supplier Year 2000 operability.

The Company's Year 2000 Steering Committee and the worldwide coordinators will continue to monitor the readiness of the Company's systems, operations, customers and suppliers. Monitoring will continue through the Leap Year period ending on March 1, 2000.

##### **Contingency Plans**

During 1999, ATI implemented procedures, including the development of contingency plans, to limit the Company's exposure to any internal or third party failure to be Year 2000 ready. As part of the Company's Year 2000 contingency planning, pre-existing systems continue to be available should any unexpected Year 2000 problems occur with the ERP and financial system. Similarly, where practicable, the IT function maintains back-up equipment to replace any failing unit(s) in the Company's computer network. The contingency plans also include alternate sources of supply for all inputs to the Company's manufacturing process.

##### **Year 2000 Expenditures**

The Company's Year 2000 readiness activities are being accomplished with existing resources. Incremental expenditures to achieve Year 2000 readiness incurred to date, and any additional expenses in the fiscal 2000 are not expected to be material to the Company's operating results. Year 2000 expenditures are charged to expenses, or capitalized, as they are incurred, based on the Company's accounting policies.