



# Silicon Motion Announces Fourth Quarter Results for the Period Ended December 31, 2007: Sales & Net Income Set New Fourth Quarter Record

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## Fourth Quarter 2007

### **Financial Highlights:**

- \* Net sales increased 48% year-over-year to US\$53.4 million, reaching a new record high and exceeding guidance
- \* Gross margin excluding stock-based compensation decreased mildly from 3Q07 to 52.7%, the tenth consecutive quarter where gross margin was above 52%
- \* GAAP gross margin declined slightly to 52.5%, also the tenth consecutive quarter where gross margin was above 52%
- \* Operating margin excluding stock-based compensation, acquisition-related charges, and one-time items decreased slightly from 31.7% in 3Q07 to 31.5%
- \* Net income excluding stock-based compensation, acquisition-related charges, and one-time items increased significantly, rising 35% year-over-year to US\$16.4 million, a new record high
- \* Diluted earnings per ADS excluding stock-based compensation, acquisition-related charges and one-time items were US\$0.47, up 24% from US\$0.38 in 4Q06
- \* GAAP diluted earnings per ADS were US\$0.35, up 6% from US\$0.33 in 4Q06

### **Business Highlights:**

- \* Total unit shipments increased 54% year-over-year and 23% sequentially to over 96 million units
- \* Card controller shipments increased 25% quarter-over-quarter; card controller revenue increased 17% quarter-over-quarter
- \* Full year card controller shipments increased 82% and market share increased from an estimated 31% in 2006 to 37% in 2007
- \* Full year mobile storage controller shipments increased 85% to 297 million units
- \* SSD controller shipments reached 1.0 million units in the quarter, which is a new milestone for the Company
- \* Mobile communications revenue increased 47% quarter-over-quarter and accounted for 22% of total revenue, up from 17% of total revenue in 3Q07

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Taipei, Taiwan, February 1, 2008 – Silicon Motion Technology Corporation (NASDAQ: SIMO; “the Company”) today announced its fourth quarter 2007 financial results. Fourth quarter net sales increased 48% year-over-year to US\$53.4 million and GAAP net income increased 16% year-over-year to US\$11.9 million, or US\$0.35 per diluted ADS, compared to US\$0.33 per diluted ADS in the fourth quarter

of 2006.

Non-GAAP net income, which excludes stock-based compensation, acquisition-related charges, and one-time items, increased 35% year-over-year to US\$16.4 million, or US\$0.47 per diluted ADS, compared to US\$0.38 per diluted ADS in the fourth quarter of 2006.

Commenting on the results, Silicon Motion's President and CEO, Wallace Kou, said:

"We are delighted with the strength of our 4Q operating results. We delivered US\$53.4 million in revenue for the quarter, which exceeded the upper end of our US\$50 to 52 million guidance range. These results were largely a result of excellent performance from both our storage and communications businesses. For full year 2007, we delivered earnings per diluted ADS of US\$1.64."

"Our 4Q07 storage revenue grew 15% sequentially, which is an improvement from the 17% sequential growth that we achieved in 4Q06 and demonstrates that our solid execution in our flash controller business continues to deliver strong results. For full year 2007, we estimate that the flash card market volume increased almost 50% to 660 million units and that the share of cards in the overall market using our controllers increased from 31% in 2006 to 37% in 2007. We strongly believe that we continue to earn our leadership position in the market because of the competitiveness and reliability of our technology, our established product track record with the broadest set of customers in the industry, and our broad capabilities compared to our competitors for supporting storage device customers and NAND flash partners."

"We are excited about the performance of FCI, the mobile communications business we acquired last year. Revenue from this business increased a considerable 47% quarter over quarter and sales of mobile TV silicon tuners in the second half of 2007 accounted for over 7% of our total revenue, which we believe puts us in a strong position with regard to the rapidly growing mobile TV market. In order to strengthen our technological capabilities in this area, we completed a smaller mobile TV related IC acquisition in Korea at the end of November 2007. We believe that this acquisition will foster our ability to bring new integrated mobile TV silicon solutions to the market faster."

"FCI generated over US\$31 million in net sales for calendar year 2007, which was largely in-line with our expectations. We are presently determining whether FCI met the 2007 product revenue and product margin targets required to trigger an earn-out payment

as a part of the previously announced terms of the acquisition.”

“I am also delighted to note that our fourth quarter gross margin of 53% was our tenth consecutive quarter of 52% or higher—despite the continued volatility of NAND flash prices.”

#### Fourth Quarter 2007 Financial Review <sup>(1)</sup>

##### Sales

Net sales in the fourth quarter totaled US\$53.4 million, an increase of 48% from 4Q06 and an increase of 16% compared with 3Q07. Overall unit shipments increased 54% from 4Q06 and 23% from 3Q07.

Our key products, as percentages of net sales, are as follows:

As % of Net Sales	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Mobile Storage	72%	85%	92%	90%	90%	79%	72%	71%
Mobile Communications <sup>2</sup>						9%	17%	22%
Multimedia SoCs	27%	14%	8%	9%	9%	12%	11%	7%
Others	1%	1%	0%	1%	1%	1%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Our product mix changed with the acquisition of FCI at the end of April 2007. Mobile storage products, which were 90% of net sales in 4Q06, declined to 71% of net sales in 4Q07. Card controllers, which were almost 80% of our revenue in 4Q06, declined to under 60% in 4Q07. In 4Q07, FCI, now our mobile communications business, accounted for 22% of net sales.

Net sales from mobile storage products, which include flash memory card controllers, USB flash drive controllers, card reader controllers, SSD controllers, and embedded flash controllers, increased 17%

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<sup>1</sup> Unless otherwise stated, all financial information used in this press release is unaudited, consolidated, prepared in accordance with US GAAP and denominated in New Taiwan dollars. US dollar amounts are translated for convenience only. Such financial information is generated internally and has not been subjected to the same review and scrutiny, including internal auditing procedures and audit by independent auditors, to which we subject our audited consolidated financial statements, and may vary materially from the audited consolidated financial information for the same period. Any evaluation of the financial information presented in this press release should also take into account our published audited consolidated financial statements and the notes to those statements. In addition, the financial information presented is not necessarily indicative of our results for any future period.

<sup>2</sup> Revenues from Mobile Communications did not exist prior to the acquisition of Future Communications IC, Inc. (“FCI”) in the second quarter of 2007.

from 4Q06 to US\$38.0 million, and increased 15% from 3Q07. Unit shipments increased 44% from 4Q06 and increased 26% from 3Q07 to 89 million units as a result of favorable NAND flash market conditions and seasonal sales in the fourth quarter.

Net sales from mobile communication products, which include mobile TV tuners, CDMA RF ICs, and electronic toll collection (ETC) RF ICs, increased 46% from 3Q07 to US\$11.5 million. Unit shipments of communication products increased 22% from 3Q07 to 6 million.

Net sales from multimedia SoC products, which include embedded graphics processors, MP3 SoCs, and PC camera SoCs, increased 15% from 4Q06, but declined 30% from 3Q07 to US\$3.7 million. Unit shipments of multimedia SoC products increased 53% from 4Q06, but declined 68% from 3Q07, largely because of unfavorable MP3 SoC market conditions.

Unit Shipment (million units)	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Mobile Storage	20.3	29.0	49.6	62.0	64.1	73.1	70.7	89.3
Mobile Communications						3.2	5.0	6.1
Multimedia SoCs	0.5	0.3	0.4	0.6	1.2	2.2	2.8	0.9
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	20.8	29.3	50.0	62.6	65.3	78.5	78.5	96.3

### Margins

Gross margin excluding stock-based compensation was 52.7%, which was slightly lower than 53.2% in 3Q07. GAAP gross margin was 52.5%, also slightly lower than 53.0% in 3Q07.

Operating expense excluding stock-based compensation, acquisition-related charges, and one-time items was 21.2% of net sales, which was slightly lower than 21.5% in 3Q07. Research and development expenses, selling and marketing expenses, as well as general and administrative expenses as a percentage of net sales were largely unchanged compared to the previous quarter. Stock-based compensation was US\$2.2 million, which was approximately the same as in 3Q07. Acquisition-related charges in 4Q07 were approximately US\$1.9 million and included US\$0.1 million from our November 2007 mobile TV acquisition.

Operating margin excluding stock-based compensation, acquisition-related charges, and one-time items was 31.5%, which was slightly lower than 31.7% in 3Q07. GAAP operating margin was 23.9%, which was higher than 23.1% in 3Q07.

## Earnings

Net income excluding stock-based compensation, acquisition-related charges, and one-time items increased 35% year-over-year to US\$16.4 million in 4Q07. Diluted earnings per ADS excluding stock-based compensation, acquisition-related charges, and one-time items were US\$0.47, up 24% from US\$0.38 in 4Q06.

GAAP net income increased 16% year-over-year to US\$11.9 million in 4Q07. Diluted GAAP earnings per ADS were US\$0.35, an increase of 6% from US\$0.33 in 4Q06.

## **Business Outlook:**

Silicon Motion's President and CEO, Wallace Kou, added:

"We are closely monitoring signs of a potential deterioration in US macroeconomic conditions. Nevertheless, rapidly declining NAND flash prices continue to drive solid state product innovations, improve consumer affordability, and fuel storage device unit growth, as well as related demand for our controllers. Our concerns about US economic slowdown are somewhat mitigated by the fact that a large part of our sales of card controllers and other products are used in devices that do not target US end markets. We expect our handset bundled card business, as well as sales to merchant card makers to continue to grow in 2008. Our card controller shipments to Samsung, for example, will probably increase at least 35% sequentially in the seasonally weak first quarter. We therefore remain cautiously optimistic about our storage business. We also expect to continue benefiting from the rapid growth of mobile TV in 2008, as growing interest in mobile TV by consumers in Asian markets leads to increasing adoption rates."

As a result, Management expects:

- 1Q08 corporate revenue of approximately US\$44 - 46 million, which represents a year-over-year increase of 22 - 27% and a quarter-over-quarter decrease of 14 - 18%, mainly because of seasonal factors
- 1Q08 storage revenue of approximately US\$34 - 35 million, which represents a seasonal quarter-over-quarter decrease of 8 - 10%
- 2008 full year corporate revenue of US\$225 - 235 million, which represents a 25 - 31% year-over-year increase and is largely in-line with our long-term annual growth target of 25 - 35%
- Non-GAAP gross margin to remain in the 52- 53% range and GAAP gross margin to also

remain in the 52– 53% range

- Non-GAAP earnings per ADS of approximately US\$1.95 – 2.05 and GAAP earnings per ADS of approximately US\$1.55 – 1.65

### **Conference Call & Webcast:**

The Company's management team will conduct a conference call at 8:00am Eastern Time on February 1.

(Speakers)

Wallace Kou, President & CEO

Riyadh Lai, CFO

PRE-REGISTRATION:

<https://www.theconferencingservice.com/prereg/key.process?key=PKWXWPCL4>

CONFERENCE CALL ACCESS NUMBERS:

USA (Toll Free): 1 888 679 8038

USA (Toll): 1 617 213 4850

Taiwan (Toll Free): 0080 144 4360

Participant Passcode: 3700 1501

REPLAY NUMBERS (for 7 days):

USA (Toll Free): 1 888 286 8010

USA (Toll): 1 617 801 6888

Participant Passcode: 7694 5563

A webcast of the call will be available on the Company's website at [www.siliconmotion.com](http://www.siliconmotion.com).

### **Discussion of Non-GAAP Financial Measures**

To supplement the Company's unaudited selected financial results calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company discloses certain non-GAAP financial measures that exclude stock-based compensation and acquisition-related charges, including, non-GAAP cost of sales, non-GAAP gross profit, non-GAAP selling, general, and administrative expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per diluted ADS. These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect all the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a

substitute for the most directly comparable GAAP measure. We compensate for the limitations of our non-GAAP financial measures by relying upon GAAP results to gain a complete picture of our performance.

Our non-GAAP financial measures are provided to enhance the user's overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the non-GAAP results provide useful information to both management and investors as these non-GAAP results exclude certain expenses, gains and losses that we believe are not indicative of our core operating results and because it is consistent with the financial models and estimates published by many analysts who follow the company. We use non-GAAP measures to evaluate the operating performance of our business, for comparison with our forecasts, and for benchmarking our performance externally against our competitors. Also, when evaluating potential acquisitions, we exclude the items described below from our consideration of the target's performance and valuation. Since we find these measures to be useful, we believe that our investors benefit from seeing the results from management's perspective in addition to seeing our GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company's GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company's on-going operating results;
- the ability to better identify trends in the Company's underlying business and perform related trend analysis;
- a better understanding of how management plans and measures the Company's underlying business; and
- an easier way to compare the Company's operating results against analyst financial models and operating results of our competitors that supplement their GAAP results with non-GAAP financial measures.

The following are explanations of each of the adjustments that we incorporate into our non-GAAP measures, as well as the reasons for excluding each or these individual items in our reconciliation of these non-GAAP financial measures:

*Stock-based compensation expense* consists of non-cash charges incurred as a result of the Company's adoption of SFAS 123R relating to the fair value of stock options and restricted stock units awarded to employees. The Company believes that the exclusion of these non-cash charges provides for more accurate comparisons of our operating results to our peer companies due to the varying available valuation methodologies, subjective assumptions and the variety of award types. In addition, the Company believes it is useful to investors to understand the specific impact the application of SFAS 123R has on its operating results.

*Intangible amortization* consists of non-cash charges that can be impacted by the timing and magnitude of our acquisitions. The Company considers its operating results without these charges when evaluating its ongoing performance and forecasting its earnings trends, and therefore excludes such charges when presenting non-GAAP financial measures. The Company believes that the assessment of its operations excluding these costs is relevant to its assessment of internal operations and comparisons to the performance of its competitors.

*In-process research and development* consists of one-time charges incurred in connection with the acquisition of FCI in 2Q 2007 that otherwise would not have been incurred and therefore we have excluded the effects of these charges from our non-GAAP operating income and non-GAAP net income. In-process research and development consists of technology projects which, as of acquisition date, had not yet reached technological feasibility and there are no future alternative uses that exist. We believe it is useful for investors to understand the effect of this expense on our statement of operations. This non-GAAP adjustment is intended to reflect acquisition-related expense incurred that is not directly associated with our continuing operations.

*Impairment of long-term marketable securities* relates to the other-than-temporary, non-operating write down of the Company's investments in Spright Co., Ltd. (formerly known as Flash Media Corporation) in 2006 and 2005. As the performance of Spright deteriorated in 2007, the Company determined that these shares have been other-than-temporarily impaired and therefore they were written down in the fourth quarter of 2007. These charges are not factored into the Company's internal evaluation of net income as it believes they are non-operating charges that do not impact the Company's core operating performance.

*Gain from litigation settlement* consists of a one-time payment in September 2006 by Phison Electronics Corporation to the Company for settlement of legal action filed by the Company in August 2002 against Phison for infringement of certain intellectual property rights to compact flash controller IC owned by the Company.

*Write-off of other receivables* consists of a one-time write-off in December 2006 of a US\$1.2 million non-trade receivable, the collection of which we believed was doubtful. The Company did not have a similar write-off for the year ended December 31, 2007.



Silicon Motion Technology Corporation  
Consolidated Statements of Income  
(in thousands, except percentages and per share data, unaudited)

	For the Three Months Ended					
	Dec. 31, 2006 (NT\$)	Sep. 30, 2007 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Sep. 30, 2007 (US\$)	Dec. 31, 2007 (US\$)
Net Sales	1,170,679	1,497,494	1,732,115	36,099	46,176	53,411
Cost of sales	<u>544,336</u>	<u>704,289</u>	<u>822,623</u>	<u>16,785</u>	<u>21,717</u>	<u>25,366</u>
Gross profit	626,343	793,205	909,492	19,314	24,459	28,045
Operating expenses						
Research & development	152,811	207,997	239,991	4,712	6,414	7,400
Sales & marketing	61,446	75,839	82,365	1,895	2,339	2,540
General & administrative	71,456	107,286	112,324	2,203	3,308	3,464
In-process research and development	-	-	7,188	-	-	222
Amortization of intangibles assets	-	55,994	53,237	-	1,727	1,642
Gain from settlement on litigation	(3,000)	-	-	(93)	-	-
Write-Off of Other Receivable	<u>40,039</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>-</u>	<u>-</u>
Operating income	303,591	346,089	414,387	9,361	10,671	12,777
Non-operating income (expense)						
Gain on sale of investments	5,268	10,545	6,108	162	325	188
Interest income (net)	18,850	9,076	9,333	581	280	288
Foreign exchange gain (loss)	(3,264)	(7,194)	(5,164)	(101)	(221)	(159)
Impairment on long-term investment	-	-	(14,447)	-	-	(445)
Others	<u>(3,096)</u>	<u>10</u>	<u>775</u>	<u>(94)</u>	<u>-</u>	<u>24</u>
Subtotal	<u>17,758</u>	<u>12,437</u>	<u>(3,395)</u>	<u>548</u>	<u>384</u>	<u>(104)</u>
Income before tax	321,349	358,526	410,992	9,909	11,055	12,673
Income tax expense	<u>(13,371)</u>	<u>30,523</u>	<u>24,603</u>	<u>(412)</u>	<u>941</u>	<u>759</u>
Net income	<u>334,720</u>	<u>328,003</u>	<u>386,389</u>	<u>10,321</u>	<u>10,114</u>	<u>11,914</u>
Basic earnings per ADS	NT\$10.82	\$10.00	\$11.73	\$0.33	\$0.31	\$0.36
Diluted earnings per ADS	NT\$10.60	\$9.66	\$11.39	\$0.33	\$0.30	\$0.35
<b>Margin Analysis:</b>						
Gross margin	53.5%	53.0%	52.5%	53.5%	53.0%	52.5%
Operating margin	25.9%	23.1%	23.9%	25.9%	23.1%	23.9%
Net margin	28.6%	21.9%	22.3%	28.6%	21.9%	22.3%
<b>Additional Data:</b>						
Weighted avg. ADS equivalents <sup>3</sup>	30,941	32,815	32,934	30,941	32,815	32,934
Diluted ADS equivalents	31,592	33,942	33,927	31,592	33,942	33,927

<sup>3</sup> Assumes all outstanding ordinary shares are represented by ADSs. Each ADS represents four ordinary shares.

Silicon Motion Technology Corporation

Reconciliation of GAAP to Non-GAAP Operating Results  
(in thousands, except percentages and per share data, unaudited)

	For the Three Months Ended					
	Dec. 31, 2006 (NT\$)	Sep. 30, 2007 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Sep. 30, 2007 (US\$)	Dec. 31, 2007 (US\$)
<b>GAAP cost of sales</b>	544,336	704,289	822,623	16,785	21,717	25,366
<b>Adjustment for share-based compensation</b>	(940)	(3,693)	(3,530)	(29)	(114)	(109)
<b>Non GAAP cost of sales</b>	<u>543,396</u>	<u>700,596</u>	<u>819,093</u>	<u>16,756</u>	<u>21,603</u>	<u>25,257</u>
<b>GAAP operating income</b>	303,591	346,089	414,387	9,361	10,671	12,777
<b>Adjustment for share-based compensation within:</b>						
Cost of sales	940	3,693	3,530	29	114	109
Research & development	9,830	35,646	34,900	303	1,099	1,076
Sales & marketing	4,186	13,584	13,540	129	419	418
General & administrative	7,963	19,642	19,314	245	606	596
<b>In-process research and development</b>	-	-	7,188	-	-	222
<b>Amortization of intangibles assets</b>	-	55,994	53,237	-	1,727	1,642
<b>Gain from settlement on litigation</b>	(3,000)	-	-	(93)	-	-
<b>Write-Off of Other Receivable</b>	40,039	-	-	1,236	-	-
<b>Non-GAAP operating income</b>	<u>363,549</u>	<u>474,648</u>	<u>546,096</u>	<u>11,210</u>	<u>14,636</u>	<u>16,840</u>
<b>GAAP Net income</b>	334,720	328,003	386,389	10,321	10,114	11,914
<b>Adjustment for share-based compensation within:</b>						
Cost of sales	940	3,693	3,530	29	114	109
Research & development	9,830	35,646	34,900	303	1,099	1,076
Sales & marketing	4,186	13,584	13,540	129	419	418
General & administrative	7,963	19,642	19,314	245	606	596
<b>In-process research and development</b>	-	-	7,188	-	-	222
<b>Amortization of intangibles assets</b>	-	55,994	53,237	-	1,727	1,642
<b>Gain from settlement on litigation</b>	(3,000)	-	-	(93)	-	-
<b>Write-Off of Other Receivable</b>	40,039	-	-	1,236	-	-
<b>Impairment loss of investment</b>	-	-	14,447	-	-	445

	For the Three Months Ended					
	Dec. 31, 2006 (NT\$)	Sep. 30, 2007 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Sep. 30, 2007 (US\$)	Dec. 31, 2007 (US\$)
<b>Non-GAAP Net income</b>	<u>394,678</u>	<u>456,562</u>	<u>532,545</u>	<u>12,170</u>	<u>14,079</u>	<u>16,422</u>
<b>Diluted earnings per ADS:</b>						
GAAP	\$10.6	\$9.66	\$11.39	\$0.33	\$0.30	\$0.35
Non-GAAP	\$12.3	\$13.03	\$15.27	\$0.38	\$0.40	\$0.47
<b>Shares used in computing diluted net income per share:</b>						
GAAP	31,592	33,942	33,927	31,592	33,942	33,927
Non-GAAP	32,075	35,028	34,865	32,075	35,028	34,865
<b>Gross margin</b>						
GAAP	53.5%	53.0%	52.5%	53.5%	53.0%	52.5%
Non-GAAP	53.6%	53.2%	52.7%	53.5%	53.2%	52.7%
<b>Operating margin</b>						
GAAP	25.4%	23.1%	23.9%	25.4%	23.1%	23.9%
Non-GAAP	27.3%	31.7%	31.5%	27.3%	31.7%	31.5%

Silicon Motion Technology Corporation  
Consolidated Statements of Income  
(in thousands, except percentages, and per share data, unaudited)

	For the Year Ended			
	Dec. 31, 2006 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Dec. 31, 2007 (US\$)
Net Sales	3,460,459	5,847,329	106,705	180,306
Cost of sales	1,612,019	2,757,101	49,708	85,017
Gross profit	1,848,440	3,090,228	56,997	95,289
Operating expenses				
Research & development	502,225	822,746	15,486	25,370
Sales & marketing	200,526	298,199	6,183	9,195
General & administrative	219,395	381,749	6,765	11,771
In-process research and development	-	76,378	-	2,355
Amortization of intangible assets	-	163,704	-	5,048
Gain from settlement on litigation	(3,000)	-	(93)	-
Write-Off of Other Receivable	40,039	-	1,234	-
Subtotal	959,185	1,742,776	29,577	53,739
Operating income	889,255	1,347,452	27,421	41,550
Non-operating expense (income)				
Gain on sale of investments	17,857	26,886	551	829
Interest income (net)	65,187	51,320	2,010	1,583
Dividend income	-	772	-	24
Foreign exchange gain (loss)	(5,174)	(18,702)	(160)	(577)
Impairment on long-term investment	-	(14,448)	-	(446)
Others	1,398	803	43	25
Subtotal	79,268	46,631	2,444	1,438
Income before tax	968,524	1,394,083	29,865	42,988
Income tax expense	21,032	81,578	649	2,516
Net income	947,491	1,312,505	29,216	40,472
Basic earnings per ADS	NT\$30.75	NT \$40.67	US\$0.95	US\$1.25
Diluted earnings per ADS	NT\$30.20	NT \$39.38	US\$0.93	US\$1.21
<b>Margin Analysis:</b>				
Gross margin	53.4%	52.9%	53.4%	52.9%
Operating margin	25.7%	23.0%	25.7%	23.0%
Net margin	27.4%	22.5%	27.4%	22.5%
<b>Additional Data:</b>				
Weighted average ADS equivalents	30,813	32,270	30,813	32,270

	For the Year Ended			
	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2006	2007	2006	2007
	(NT\$)	(NT\$)	(US\$)	(US\$)
Diluted ADS equivalents	31,372	33,325	31,372	33,325

Silicon Motion Technology Corporation

Reconciliation of GAAP to Non-GAAP Operating Results  
(in thousands, except percentages and per share data, unaudited)

	For the Year Ended			
	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2006	2007	2006	2007
	(NT\$)	(NT\$)	(US\$)	(US\$)
<b>GAAP cost of sales</b>	1,612,019	2,757,101	49,708	85,017
<b>Adjustment for share-based compensation</b>	(3,388)	(12,858)	(104)	(396)
<b>Non GAAP cost of sales</b>	<u>1,608,631</u>	<u>2,744,243</u>	<u>49,604</u>	<u>84,621</u>
<b>GAAP operating income</b>	889,255	1,347,452	27,421	41,550
<b>Adjustment for share-based compensation within:</b>				
Cost of sales	3,388	12,858	104	396
Research & development	37,743	129,750	1,164	4,001
Sales & marketing	13,522	48,703	417	1,502
General & administrative	31,046	70,039	957	2,160
<b>In-process research and development</b>	-	76,378	-	2,355
<b>Amortization of intangibles assets</b>	-	163,704	-	5,048
<b>Gain from settlement on litigation</b>	(3,000)	-	(93)	-
<b>Write-Off of Other Receivable</b>	40,039	-	1,234	-
<b>Non-GAAP operating income</b>	<u>1,011,993</u>	<u>1,848,884</u>	<u>31,204</u>	<u>57,012</u>
<b>GAAP Net income</b>	947,491	1,312,505	29,216	40,472
<b>Adjustment for share-based compensation within:</b>				
Cost of sales	3,388	12,858	104	396
Research & development	37,743	129,750	1,164	4,001
Sales & marketing	13,522	48,703	417	1,502
General & administrative	31,046	70,039	957	2,160
<b>In-process research and development</b>	-	76,378	-	2,355
<b>Amortization of intangibles assets</b>	-	163,704	-	5,048
<b>Gain from settlement on litigation</b>	(3,000)	-	(93)	-
<b>Write-Off of Other Receivable</b>	40,039	-	1,234	-
<b>Impairment loss of investment</b>	-	14,448	-	446
<b>Non-GAAP Net income</b>	<u>1,070,229</u>	<u>1,828,385</u>	<u>32,999</u>	<u>56,380</u>

	For the Year Ended			
	Dec. 31, 2006 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Dec. 31, 2007 (US\$)
<b>Diluted earnings per ADS:</b>				
GAAP	30.20	39.38	0.93	1.21
Non-GAAP	33.77	53.20	1.04	1.64
<b>Shares used in computing diluted net income per share:</b>				
GAAP	31,372	33,325	31,372	33,325
Non-GAAP	31,689	34,368	31,689	34,368
<b>Gross margin</b>				
GAAP	53.4%	52.9%	53.4%	52.9%
Non-GAAP	53.5%	53.1%	53.5%	53.1%
<b>Operating margin</b>				
GAAP	25.7%	23.0%	25.7%	23.0%
Non-GAAP	29.2%	31.6%	29.2%	31.6%

Note: The Company maintains its accounts and expresses its financial statements in New Taiwan dollars. For convenience only, U.S. dollar amounts presented in the income statement have been translated from New Taiwan dollars, using an average exchange rate of NT\$32.43 to US\$1 on Dec. 31, 2007.

Silicon Motion Technology Corporation  
Consolidated Balance Sheet  
(In thousands)  
(unaudited)

	Dec. 31, 2006 (NT\$)	Dec. 31, 2007 (NT\$)	Dec. 31, 2006 (US\$)	Dec. 31, 2007 (US\$)
Cash and cash equivalents	1,808,042	1,608,272	55,752	49,592
Short-term investments	1,458,847	1,751,113	44,984	53,997
Accounts receivable, net	841,764	1,007,384	25,956	31,063
Inventories	427,116	547,400	13,170	16,879
Refundable deposits - current	65,000	127,466	2,004	3,931
Deferred income tax assets, net	103,603	88,313	3,195	2,723
Prepaid expenses and other current assets	244,832	227,043	7,550	7,001
Total current assets	<u>4,949,204</u>	<u>5,356,991</u>	<u>152,612</u>	<u>165,186</u>
Long-term investments	170,942	119,535	5,271	3,686
Property and equipment (net)	319,356	519,189	9,848	16,010
Goodwill and intangible assets(net)	-	2,460,277	-	75,864
Other assets	89,182	275,078	2,750	8,482
Total assets	<u>\$5,528,684</u>	<u>\$8,731,070</u>	<u>\$170,481</u>	<u>\$269,228</u>
Accounts payable	525,173	444,440	16,194	13,705
Income tax payable	139,268	227,356	4,294	7,011
Accrued expenses and other current liabilities	294,061	396,433	9,069	12,224
Total current liabilities	<u>958,502</u>	<u>1,068,229</u>	<u>29,557</u>	<u>32,940</u>
Accrued pension cost	1,018	-	31	-
Other long-term liabilities	1,040	78,611	32	2,424
Total liabilities	<u>960,560</u>	<u>1,146,840</u>	<u>29,620</u>	<u>35,364</u>
Shareholders' equity	<u>4,568,124</u>	<u>7,584,230</u>	<u>140,861</u>	<u>233,864</u>
Total liabilities & shareholders' equity	<u>\$5,528,684</u>	<u>\$8,731,070</u>	<u>\$170,481</u>	<u>\$269,228</u>

**About Silicon Motion:**

We are a fabless semiconductor company that designs, develops and markets universally compatible, high performance, low-power semiconductor solutions for the multimedia consumer electronics market. We have three major product lines: our mobile storage business, multimedia SoC business, and mobile communications business. Our mobile storage business is our significantly larger business and is composed of microcontrollers, also commonly known as controllers, used in NAND flash memory storage products such as flash memory cards, USB flash drives and card readers. These flash memory storage products are widely used by consumers to store data on multimedia consumer electronics devices such as mobile phones, digital still cameras, personal digital assistants, personal navigation devices and personal multimedia players, and notebook and desktop personal computers. Our multimedia SoC business is composed of products that support MP3 and personal multimedia players, PC cameras and embedded graphics applications. Our mobile communications business is composed of mobile TV tuners, CDMA RF ICs and electronics toll collection RF ICs, which became our new product line as a result of our recent acquisition of FCI.

**Forward-Looking Statements:**

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation, statements about Silicon Motion's expected fourth quarter 2007 revenue, gross margin and operating margin and full fiscal year 2007 diluted earnings per ADS, all of which reflect management's estimates based on information available at this time of this press release. While Silicon Motion believes these estimates to be meaningful, these amounts could differ materially from actual reported amounts for the fourth quarter and the full fiscal year. Forward-looking statements also include, without limitation, statements regarding trends in the multimedia consumer electronics market and our future results of operations, financial condition and business prospects. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the negative of these terms or other comparable terminology. Although such statements are based on our own information and information from other sources we believe to be reliable, you should not place undue reliance on them. These statements involve risks and uncertainties, and actual market trends or our actual results of operations, financial condition or business prospects may differ materially from those expressed or implied in these forward looking statements for a variety of reasons. Potential risks and uncertainties include, but are not limited to, our belief in the outcome of any claim or lawsuit, including those uncertainties relating to litigation filed against the Company relating to whether its products are covered by patents not owned by the Company; unpredictable volume and timing of customer orders, which are not fixed by contract but vary on a purchase order basis; the loss of one or more key customers or the significant reduction, postponement, rescheduling or cancellation of orders



from these customers; integration of our recently announced acquisitions general economic conditions or conditions in the semiconductor or multimedia consumer electronics markets; decreases in the overall average selling prices of our products; changes in the relative sales mix of our products; changes in our cost of finished goods; the availability, pricing, and timeliness of delivery of other components and raw materials used in our customers' products; our customers' sales outlook, purchasing patterns, and inventory adjustments based on consumer demands and general economic conditions; our ability to successfully develop, introduce, and sell new or enhanced products in a timely manner; and the timing of new product announcements or introductions by us or by our competitors. For additional discussion of these risks and uncertainties and other factors, please see the documents we file from time to time with the Securities and Exchange Commission, including our Annual Report on Form 20-F filed on July 2, 2007. We assume no obligation to update any forward-looking statements, which apply only as of the date of this press release.

Investor Contact:  
Selina Hsieh  
Investor Relations  
Tel: +886 3 552 6888 x2311  
E-mail: [ir@siliconmotion.com](mailto:ir@siliconmotion.com)

Media Contact:  
Sara Hsu  
Project Manager  
Tel: +886 2 2219 6688 x3509  
E-mail: [sara.hsu@siliconmotion.com.tw](mailto:sara.hsu@siliconmotion.com.tw)