www.faraday-tech.com

Contacts:

Michelle Chou
Faraday, Spokesperson
+886-3-5787888
mchou@faraday-tech.com

Tilly Tung
Faraday, Investor Relations
+886-3-5787888 ext. 8094
tillyt@faraday-tech.com

Faraday Reports 2006 Second Quarter Results

15.1% Increase in Sequential Revenue; Expected to Maintain Growth

Second Quarter 2006 Highlights[1]:

- **Quarter-over-quarter revenue increased 15.1% to NT$1,474 million (US$45.6 million)**
- **Quarter-over-quarter operating income increased 19.3% to NT$371 million (US$11.5 million)**
- **Net income of NT$372 million (US$11.5 million)**
- **EPS of NT$1.31**

Hsinchu, Taiwan – August 3, 2006 – Faraday Technology Corporation (TSE: 3035), a leading fabless ASIC design solution and silicon IP provider, today announced its unconsolidated operating results for the second quarter of 2006.

The quarterly revenue of NT$1,474 million, 15.1% quarter-over-quarter increase, was in-line to its original expectation; in addition, net income of Q206 increased 8.1% to NT$372 million with NT$1.31 EPS for the second quarter. The accumulating EPS for the year was NT$2.53. During the quarter, June revenue was the record high, and we expect to have stable growth over the year.

The Storage sector, taking 25.8% of ASIC revenue in the second quarter, has resumed since May 2006 and is expected to remain strong over the year. The Multimedia sector, 10.2%, was contributed by the volume production of audio and video Platforms. In the second quarter, Consumer sector recovered; the market demand and the seasonal effect will continue in the third quarter. As for the Display sector, the overall inventory adjustment among the major panel makers led to the slow growth since Q206 and might last to Q306.

[1] Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with ROC GAAP, which differ in some material respects from generally accepted accounting principles in the United States. They are un-audited, un-consolidated, and represent comparisons among the three-month period ending June 30, 2006, the three-month period ending March 31, 2006, and the equivalent three-month period that ended June 30, 2005. For all 2Q06 results, New Taiwan Dollar (NT$) amounts have been converted into U.S. dollars at the exchange rate of NT$32.3 to one U.S. dollar.

Faraday's ever-lasting commitment in the VDSM technology has brought in the outstanding revenue. In the second quarter, the revenue from 0.13um and 0.18um process grew from 2.7% to 4.8% and 33.6% to 40.8% separately, reflecting our success in the process migration and mass production capability. With more and more projects entering into mass production, 0.18um process will remain the mainstream revenue generator and 0.13um will be a key to serve high performance and cost effectiveness applications.

Looking into 2H06, we remain confident in 2006 profitability. More and more customers give great recognition to Faraday product offerings, and these new projects and IP business growth will ensure a long-term phase of sustainable success and profitability.

Summary of Operating Results

Operating Results					
(Amount: NT$ million)	**2Q06**	**1Q06**	**QoQ% change**	**2Q05**	**YoY% change**
Revenue	1,474	1,281	15.1	1,503	(1.9)
Gross Profit	664	585	13.5	670	(0.9)
Operation Expenses	(293)	(274)	6.9	(253)	15.8
Operating Income	371	311	19.3	417	(11.0)
Non-op. Income (Expenses)	1	33	(97.0)	(6)	-
Net Income	372	344	8.1	421	(11.6)
EPS (NT$ per share)	1.31	1.22		1.48	

Revenue increased 15.1% QoQ to NT$1,474 million, from NT$1,281 million in 1Q06, and decreased 1.9% YoY, from NT$1,503 million in 2Q05. Gross profit was NT$664 million, or 45.0% of revenue, compared to NT$585 million, or 45.7% of 1Q06 revenue. Operating profit for the quarter was NT$371 million, or 25.1% of revenue, a 19.3% increase from NT$311 million, or 24.3% of revenue in 1Q06. Net income in 2Q06 was NT$372 million, an 8.1% increase compared with NT$344 million in 1Q06.

Earnings per ordinary share (EPS) for the quarter were NT$1.31 compared with NT$1.22 in 1Q06. Total weighted average outstanding shares in 2Q06 were 282,496,571 compared with 282,287,645 shares in 1Q06 and 283,488,201 shares in 2Q05.

Detailed Financials Section

Total operating expenses increased by 6.9% to NT$293 million. R&D spending increased 6.6% QoQ to NT$226 million primarily due to increasing expenses incurred in connection with research and designing activities.

COGS & Expenses					
(Amount: NT$ million)	2Q06	1Q06	QoQ% change	2Q05	YoY% change
Revenue	1,474	1,281	15.1	1,503	(1.9)
COGS	(810)	(696)	16.4	(833)	(2.8)
Wafer	(434)	(364)	19.2	(528)	(17.8)
Other Mfg. Costs	(376)	(332)	13.3	(305)	23.3
Gross Profit	664	585	13.5	670	(0.9)
Gross Margin (%)	45.0%	45.7%		44.6%	
Total Operating Exp.	(293)	(274)	6.9	(253)	15.8
G&A	(40)	(35)	14.3	(37)	8.1
Sales and Marketing	(27)	(27)	0	(25)	8.0
R&D	(226)	(212)	6.6	(191)	18.3
Operating Income	371	311	19.3	417	(11.0)
Operating Margin (%)	25.1%	24.3%		27.7%	

Net non-operating income during 2Q06 was NT$1 million. Net investment loss was NT$3 million.

Non-operating Income (Expenses)			
(Amount: NT$ million)	2Q06	1Q06	2Q05
Net Non-operating Income (Loss)	1	33	(6)
Net Interest Income (Expense)	4	3	7
Net Investment Income (Loss)	(3)	(17)	(9)
Reverse on (Inventory Loss Provision)	(1)	(3)	(4)
Gain (Loss) on Disposal of Investment	-	-	-
Exchange Gain (Loss)	(2)	(1)	1
Others	3	51	(1)

Cash and cash equivalents increased by NT$309 million to NT$2,117 million. Notes & accounts receivables increased by NT$157 million to NT$967 million. On a sequential basis, days sales outstanding[2] decreased from 70 days to 58 days, and average inventory turnover also decreased from 39 days to 34 days.

Current Assets			
(Amount: NT$ million)	2Q06	1Q06	2Q05
Cash & Cash Equiv.	2,117	1,808	2,616
Notes & Accounts Receivable	967	810	1,141
Days Sales Outstanding	58	70	65
Inventory	257	281	211
Avg. Inventory Turnover	34	39	24
Total Current Assets	3,614	3,225	4,152

Total Liabilities increased by NT$1,127 million to NT$2,672 million in 2Q06.

Liabilities			
(Amount: NT$ million)	2Q06	1Q06	2Q05
Total Current Liabilities	2,643	1,515	2,189
Notes & Accounts Payable	673	686	661
Others	1,970	829	1,528
Long-term Liabilities			-
Total Liabilities	2,672	1,545	2,224
Liabilities to Equity	56.4%	30.2%	55.6%

[2] Days Sales Outstanding = 365/ [(Operating revenues for three-month period end *4)/ [(Beginning NR&AR balance, net + Ending NR&AR balance, net)/2]]

Average Inventory Turnover = 365/ [(COGS for three-month period end *4)/ [(Beginning Inventory balance, net + Ending Inventory balance, net)/2]]

FARADAY
TECHNOLOGY CORPORATION

www.faraday-tech.com

Analysis of Revenue

The percentage of revenue from USA grew to 21% in 2Q06 mainly due to the recovery from Consumer sector.

Revenue Breakdown by Region [1]

Region	4Q05	1Q06	2Q06
Taiwan	62.8%	65.3%	59.3%
USA	20.8%	18.3%	21.0%
Japan	2.2%	2.4%	4.2%
Europe	3.3%	3.2%	5.1%
Korea	8.5%	8.8%	6.5%
China	2.4%	2.0%	3.9%

0.18um remained the main revenue generator among the geometry. The percentage of 0.13um grew to 4.8% due to some projects entering mass production.

Revenue Breakdown by Geometry [1]

Geometry	4Q05	1Q06	2Q06
0.13μm	0.5%	2.7%	4.8%
0.18μm	33.2%	33.6%	40.8%
0.22μm	13.1%	7.9%	9.0%
0.25μm	26.7%	28.9%	21.2%
0.35μm	18.7%	18.6%	16.1%
0.45μm	1.8%	2.3%	1.7%
0.5μm	5.3%	5.4%	5.8%
0.6μm	0.7%	0.6%	0.6%

The percentage of System houses went up to 32.8% in 2Q06 due to the continuous demand from the customers in Taiwan.

Revenue Breakdown by Customer Type

Customer Type	4Q05	1Q06	2Q06
Fabless	58.4%	60.0%	50.9%
System	30.7%	24.8%	32.8%
Foundry	10.9%	15.2%	16.3%
IDM	-	-	-

The percentage distribution of ASIC, Design Service and IP against the total revenue remains stable.

Revenue Breakdown by Billing Method

Billing Method	4Q05	1Q06	2Q06
ASIC	77.4%	70.7%	69.5%
Design Service	9.0%	11.4%	14.2%
IP	13.6%	17.9%	16.3%

Storage accounted for 25.8% in Q206 comparing with 20.2% in 1Q06 owing to the recovery from the customers in Taiwan. With the continuing demand in Communication, the growth remained strong.

Revenue Breakdown by Application [1] [2]

Application	4Q05	1Q06	2Q06
Peripheral	36.1%	30.3%	28.3%
Storage	24.1%	20.2%	25.8%
Communication	14.4%	17.6%	18.0%
Display	14.7%	16.8%	7.0%
Consumer	4.7%	1.1%	5.6%
Multimedia	4.5%	9.9%	10.2%
Others	1.5%	4.1%	5.1%

(1) IP exclusively

(2)

Communication	Home Gateway, GPS, Networking, IP Phone(VoIP), Router, Switch, Satellite Phone, DVB, DTV
Consumer	Toy, Wirless Keyboard Mouse, E-Dictionary
Display	Timing Controller, Driver IC, Gate IC
Multimedia	MP3, Printer, Scanner, DSC, MPEG4 decoder/encoder, MFP, Surveillance Camera, KVM, DVR, Graphic Accelerator
Peripheral	Bridge, PC Device, Flash Controller, PMP, Card Reader
Storage	RAID, Memory Card, Thumb Drive
Others	IPC, Barebone PC, etc.

Recap of Recent Important Events & Announcements

2006-07-18 Faraday Establishes R&D Center in Southern Taiwan Science Park (STSP) to extend its Mixed-Signal IP Design Team

2006-07-17 Faraday to Present its Comprehensive IP Portfolio for SoC at DAC

2006-07-13 Faraday and ITRI Jointly Launch the Highly Competitive VoIP Middleware

2006-06-22 Faraday High-Speed USB OTG PHY and Controller Solution Passes USB-IF Compliance Test

2006-06-22 Faraday Showcases Networking and Multimedia ASIC and IP Solutions at ESEC Tokyo

2006-05-16 Faraday and Intelop Enter Partnership for Custom Networking ASIC and Structured ASIC Engagements

2006-04-28 Faraday Board of Directors proposed its dividend policy for NT$4.0 ($3.3 by cash and $0.7 by stock)

2006-04-28 Faraday Showcases Its Integrated Platform Solutions by Emerging Business Units at SemiTech Taipei 2006

2006-04-24 Faraday Expands Structured ASIC Product Line with FIT-18 Template™

2006-04-11 Faraday Unveils Its Display Solution, MDTCP, Targeting Small-to-medium Sized Applications

2006-04-04 Faraday Reaffirms its Commitment to Structured ASIC Business

Please visit Faraday's Web site (http://www.faraday-tech.com) for details about these and other announcements.

Third Quarter of 2006 Outlook & Guidance

【Technology Process Distribution】

Mass production: 0.18um remains the mainstream. However, the contribution from 0.13um will continue growing owing to volume production.

Design wins: 0.18um and 0.13um will take majority.

Advanced IP & Library: Customers have started applying 90nm advanced IP & library for leading projects.

【Application Distribution】

Multimedia: Ramp-up in Q306

Display: Slower demand is expected in Q306

Peripheral and Storage: Stronger demand in Q306

Communication: More new design-win projects bring in, and some of the projects will run into mass production in Q306

Consumer: Seasonal factor and market demand in Q306

【Profitability】

It is projected that gross margin in Q306 may remain stable.

About Faraday

Faraday Technology Corporation is a leading silicon IP and fabless ASIC vendor. The company's broad IP portfolio includes 32-bit RISC CPUs, DSPs, PHY/Controllers for USB 2.0, Ethernet, and Serial ATA. With more than 600 employees and 2005 revenue of NT$5,745 million (US$175 million), Faraday is one of the largest fabless ASIC companies in the Asia-Pacific region, and it also has a significant presence in other markets, world-wide. Headquartered in Taiwan, Faraday has service and support offices around the world, including the U.S., Japan, Europe, and China. For more information, please visit: http://www.faraday-tech.com