

MediaTek Inc. Reports Third Quarter 2014 Consolidated Results

- 3Q14 consolidated revenue NT\$57,472 million, up 6.2% from previous quarter
- 3Q14 consolidated gross margin 49.1%, down 0.5 percentage points from previous quarter
- 3Q14 consolidated operating income NT\$13,794 million, up 8.1% from previous quarter
- 3Q14 consolidated net income NT\$13,301 million; EPS NT\$8.51

Consolidated Revenue

MediaTek Inc. today announced financial results of third-quarter ended September 30, 2014. Third quarter revenue was NT\$57,472 million, up 6.2% sequentially, and up 47.3% year-over-year. The year-over-year increase was mainly due to revenue growth in smartphone and MStar revenue recognition.

Consolidated Gross Profit and Gross Margin

The third-quarter gross profit was NT\$28,234 million, up 5.3% sequentially, and up 64.7% year-over-year. Gross margin for the quarter was 49.1%, down 0.5 percentage points sequentially and up 5.2 percentage points year-over-year. The year-over-year increase was mainly due to higher mix of smartphone and high-end products.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$14,440 million (25.1% of revenue), compared with NT\$14,063 million (26.0% of revenue) in the previous quarter, and NT\$9,274 million (23.8% of revenue) in the same period last year. The sequential and year-over-year increase was mainly due to increasing talent and technology investments, higher expenses associated with higher sales as well as MStar expenses recognition.

Operating expenses for the quarter included:

- R&D expenses of NT\$11,538 million (20.1% of revenue), increased from NT\$10,403 million in 2Q14, and increased from NT\$7,075 million in 3Q13.
- Selling expenses of NT\$1,521 million (2.6% of revenue), decreased from NT\$2,072 million in 2Q14, and increased from NT\$1,205 million in 3Q13.
- Administration expenses of NT\$1,381 million (2.4% of revenue), decreased from NT\$1,589 million in 2Q14, and increased from NT\$995 million in 3Q13.

Consolidated Operating Profit and Operating Margin

Operating profit for the quarter was NT\$13,794 million, up 8.1% sequentially, and up 75.4% year-over-year. Operating margin for the quarter was 24.0%, increased from 23.6% in the previous quarter, and increased from 20.2% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income of NT\$1,119 million, or 1.9% of revenue, was mainly from interest income and investment income. Income tax expense for the quarter was NT\$1,612 million.

Consolidated Net Income and Net Profit Margin and EPS

Net income was NT\$13,301 million, up 6.0% sequentially, and up 58.0% year-over-year. Net profit margin for the quarter was 23.1%, decreased from 23.2% in the previous quarter, and increased from 21.6% in the year-ago quarter. EPS was NT\$8.51, compared with NT\$8.03 in the prior quarter and NT\$6.28 in the year-ago quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$194,721 million. This represents 58.1% of the company's total assets. Cash and financial assets-current was NT\$196,431 million and NT\$113,192 million at the end of previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes mutual funds, bonds, and derivatives.

Consolidated Accounts Receivable

Accounts receivable (net) at the end of the quarter was NT\$ 15,418 million. The accounts receivable turnover was 23 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 22 days last quarter, and lower than 25 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$24,464 million at the end of the quarter. The inventory turnover was 68 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than 60 days in the last quarter, and higher than 50 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Cash flow from operations during the quarter was NT\$11,742 million, a decrease of NT\$13,044 million from the prior quarter and an increase of NT\$9,971 million from the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (November 6). A live webcast of the conference call will be available through the Investor Relations section of the MediaTek website. Investors who want to raise questions may use the toll number attached below.

Schedule and Webcast Links:

In Mandarin 2:00 – 3:00 p.m. (Taiwan Time)

<http://mediatek.ic.learn.hinet.net/2014Q3/mediatek.html>

In English 4:00 – 5:00 p.m. (Taiwan Time)

<http://mediatek-en.ic.learn.hinet.net/2014Q3/mediatek.html>

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Password: 630384#

About MediaTek Inc.

MediaTek is a pioneering fabless semiconductor company, and a market leader in cutting-edge systems on a chip for wireless communications and connectivity, HDTV, DVD and Blu-ray. MediaTek created the world's first octa-core smartphone platform with LTE and our CorePilot™ technology releasing the full power of multi-core mobile processors. Through MediaTek Labs, the company is creating a worldwide ecosystem in support of device creation, application development and services based around MediaTek offerings. With an emphasis on enabling technology for the masses and not the chosen, everyone can be an Everyday Genius. MediaTek [TSE:2454] is headquartered in Taiwan and has offices worldwide. Please visit www.mediatek.com for more information.

MediaTek Inc. Q3 FY14 Consolidated Income Statement

(In NT\$ millions, except per share amounts)

	3Q14	2Q14	3Q13	Q-Q	Y-Y
Net Revenue	57,472	54,133	39,008	6.2%	47.3%
Cost of Goods Sold	(29,238)	(27,309)	(21,867)		
Gross Profit	28,234	26,824	17,140	5.3%	64.7%
Selling expenses	(1,521)	(2,072)	(1,205)		
Administration expenses	(1,381)	(1,589)	(995)		
R&D expenses	(11,538)	(10,403)	(7,075)		
Operating Expenses	(14,440)	(14,063)	(9,274)		
Operating Income	13,794	12,760	7,866	8.1%	75.4%
Net Non-operating Income	1,119	1,392	1,169		
Income Before Income Tax	14,913	14,153	9,035		
Income tax expense	(1,612)	(1,605)	(619)		
Consolidated Net Income	13,301	12,549	8,416	6.0%	58.0%
EPS Attributable to the Parent(NT\$)	8.51	8.03	6.28		

Note: Numbers do not add up due to rounding.

Q3 FY14 Supplemental Information: Percentage of Revenue

	3Q14	2Q14	3Q13
Gross profit	49.1%	49.6%	43.9%
Selling expenses	(2.6 %)	(3.8 %)	(3.1 %)
Administration expenses	(2.4 %)	(2.9 %)	(2.6 %)
R&D expenses	(20.1 %)	(19.2 %)	(18.1 %)
Operating profit	24.0%	23.6%	20.2%
Non-operating income	1.9%	2.6%	3.0%
Income tax expense	(2.8 %)	(3.0 %)	(1.6 %)
Net profit	23.1%	23.2%	21.6%

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Balance Sheet

(In NT\$ millions)

	3Q14	2Q14	3Q13
Cash & Financial assets-current	194,721	196,431	113,192
Accounts receivable	15,418	12,983	11,059
Inventories	24,464	19,326	12,938
Funds and investments	12,179	9,918	66,540
Intangible assets	59,259	59,488	15,332
Total assets	335,083	323,857	238,195
Short-term loans	43,454	34,046	19,760
Accounts payable	21,307	18,439	12,520
Other current liabilities	37,622	55,266	18,690
Long-term liabilities & Other liabilities	1,721	1,789	2,125
Stockholders' equity	230,979	214,317	185,099

MediaTek Inc. Consolidated Cash Flow Summary

(In NT\$ millions)

	3Q14	2Q14	3Q13
Cash flow from operations	11,742	13,044	9,971
Cash flow from investing	(4,690)	22	(374)
Cash flow from financing	(13,726)	12,228	(8,301)
Effect of exchange rate changes	1,607	(2,155)	(905)
Net increase in cash & equivalents	(5,068)	23,139	392
Cash & equivalents at quarter end	185,070	190,138	107,617

Note: Numbers do not add up due to rounding.