

MediaTek Inc. Reports Second Quarter 2016 Consolidated Results

- 2Q16 consolidated revenue of NT\$72,527 million, up 29.7% from previous quarter
- 2Q16 consolidated gross margin of 35.2%, down 2.9 percentage points from previous quarter
- 2Q16 consolidated operating income of NT\$7,069 million, up 60.5% from previous quarter
- 2Q16 consolidated net income of NT\$6,590 million; EPS of NT\$4.16

Consolidated Revenue

MediaTek Inc. today announced financial results of second-quarter ended June 30, 2016. Second quarter revenue was NT\$72,527 million, up 29.7% sequentially, and up 54.2% year-over-year. The quarter-over-quarter growth was mainly due to increasing smartphone sales. The year-over-year growth was mainly due to higher mix of high-end consumer electronics and revenue recognition from acquired companies.

Consolidated Gross Profit and Gross Margin

The second-quarter gross profit was NT\$25,553 million, up 19.9% sequentially and 18.3% year-over-year. Gross margin for the quarter was 35.2%, down 2.9 percentage points sequentially and 10.7 percentage points year-over-year. The quarter-over-quarter and the year-over-year decrease were mainly due to product mix and smartphone market competition.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$18,484 million (25.5% of revenue), compared with NT\$16,904 million (30.2% of revenue) in the previous quarter, and NT\$14,730 million (31.3% of revenue) in the same period last year. The quarter-over-quarter increase was mainly due to higher expenses associated with higher sales. The year-over-year increase was mainly due to higher talent and technology investments as well as operating expenses recognition from acquired companies.

Operating expenses for the quarter included:

- R&D expenses of NT\$13,641 million (18.8% of revenue), increased from NT\$13,417 million in 1Q16, and increased from NT\$10,897 million in 2Q15.
- Selling expenses of NT\$3,211 million (4.4% of revenue), increased from NT\$1,996 million in 1Q16, and increased from NT\$1,655 million in 2Q15.
- Administration expenses of NT\$1,632 million (2.3% of revenue), increased from NT\$1,491 million in 1Q16, and decreased from NT\$2,178 million in 2Q15.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$7,069 million, up 60.5% sequentially, and up 3% year-over-year. Operating margin for the quarter was 9.7%, increased from 7.9% in the previous quarter, and decreased from 14.6% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$682 million, or 0.9% of revenue. It was mainly from interest income and investment income recognized under the equity method. Income tax expense for the quarter was NT\$1,162 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$6,590 million, up 47.3% sequentially, and up 3.3% year-over-year. Net profit margin for the quarter was 9.1%, increased from 8% in the previous quarter, and decreased from 13.6% in the year-ago quarter. EPS was NT\$4.16, compared with NT\$2.79 in the prior quarter and NT\$4.06 in the year-ago quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$172,084 million. This represents 45.7% of the company's total assets. Cash and financial assets-current was NT\$172,722 million and NT\$203,124 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\$21,014 million. The accounts receivable turnover was 23 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than 26 days in the last quarter and 25 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$34,014 million at the end of the quarter. The inventory turnover was 59 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than 67 days in the last quarter and 111 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$12,210 million, compared with NT\$7,958 million in the prior quarter and net cash used in operating activities NT\$1,446 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (August 3). 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://wms.gridow.com/ir/mediatek/tw/mediatek_2016Q2_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2016Q2_en.html

Dial-in Number: +886-2-21928016

Password: 587397#

About MediaTek Inc.

Since 1997, MediaTek has been a pioneering fabless semiconductor company and a market leader in cutting-edge systems-on-chip (SoC) for mobile devices, wireless networking, HDTV, DVD and Blu-ray. Our tightly-integrated, innovative chip designs help manufacturers optimize supply chains, reduce the development time of new products, and extend a competitive edge in both developing and mature markets around the world. Through MediaTek Labs, the company is also building a developer hub that will support device creation, application development, and services for the Internet of Things era. By building technologies that help connect individuals to the world around them, MediaTek is enabling people to expand their horizons and more easily achieve their goals. We believe anyone can achieve something amazing. And we believe they can do it every single day. We call this idea Everyday Genius and it drives everything we do. Visit www.mediatek.com for more information.

MediaTek Inc. Consolidated Income Statement

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

	2Q16	1Q16	2Q15	Q-Q	Y-Y
Net Sales	72,527	55,905	47,044	29.7%	54.2%
Operating costs	(46,974)	(34,598)	(25,448)		
Gross Profit	25,553	21,307	21,596	19.9%	18.3%
Selling expenses	(3,211)	(1,996)	(1,655)		
Administration expenses	(1,632)	(1,491)	(2,178)		
R&D expenses	(13,641)	(13,417)	(10,897)		
Operating Expenses	(18,484)	(16,904)	(14,730)		
Operating Income	7,069	4,403	6,866	60.5%	3.0%
Net Non-operating Income	682	875	541		
Net Income Before Income Tax	7,751	5,278	7,407		
Income tax expense	(1,162)	(805)	(1,030)		
Net Income	6,590	4,473	6,377	47.3%	3.3%
EPS Attributable to the Parent(NT\$)	4.16	2.79	4.06		

Note: Numbers do not add up due to rounding.

Supplemental Information: Percentage of Revenue

	2Q16	1Q16	2Q15
Gross profit	35.2%	38.1%	45.9%
Selling expenses	(4.4 %)	(3.6 %)	(3.5 %)
Administration expenses	(2.3 %)	(2.7 %)	(4.6 %)
R&D expenses	(18.8 %)	(24.0 %)	(23.2 %)
Operating profit	9.7%	7.9%	14.6%
Non-operating income	0.9%	1.6%	1.1%
Income tax expense	(1.6 %)	(1.4 %)	(2.2 %)
Net profit	9.1%	8.0%	13.6%

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Balance Sheet

(In NT\$ millions)

	2Q16	1Q16	2Q15
Cash & Financial assets-current	172,084	172,722	203,124
Accounts receivable	21,014	15,598	12,250
Inventories	34,014	27,027	33,654
Other current assets	11,342	7,250	7,113
Funds and investments	22,953	20,433	19,769
Intangible assets	73,806	74,587	63,907
Other non-current assets	41,146	39,388	31,539
Total assets	376,360	357,005	371,355
Short-term loans	60,849	48,026	57,491
Accounts payable	30,106	23,023	18,806
Other current liabilities	58,099	32,994	67,397
Total non-current liabilities	3,723	3,126	2,224
Total equity	223,583	249,837	225,438

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary

(In NT\$ millions)

	2Q16	1Q16	2Q15
Net cash provided by (used in) operating activities	12,210	7,958	(1,446)
Net cash provided by (used in) investing activities	(6,229)	(3,351)	(5,181)
Net cash provided by (used in) financing activities	(2,649)	107	6,633
Effect of changes in exchange rate on cash and cash equivalents	635	(2,031)	(325)
Net increase (decrease) in cash and cash equivalents	3,967	2,683	(319)
Cash and cash equivalents at the end of the period*	159,929	155,963	195,824

Note: Numbers do not add up due to rounding.

*Cash and cash equivalents included non-current assets held for sale of NT\$716 million.