

MediaTek Inc. Reports Fourth Quarter 2016 Consolidated Results

- 4Q16 consolidated revenue of NT\$68,675 million, down 12.4% from previous quarter
- 4Q16 consolidated gross margin of 34.5%, down 0.7 percentage points from previous quarter
- 4Q16 consolidated operating income of NT\$3,981 million, down 47.8% from previous quarter
- 4Q16 consolidated net income of NT\$5,138 million; EPS of NT\$3.23
- 2016 consolidated revenue of NT\$275,512 million; EPS of NT\$15.16

Consolidated Revenue

MediaTek Inc. today announced financial results of fourth-quarter ended December 31, 2016. Fourth quarter revenue was NT\$68,675 million, down 12.4% sequentially, and up 11.3% year-over-year. The quarter-over-quarter decrease was mainly due to seasonal decline in consumer electronics. The year-over-year growth was mainly due to increasing shipments in consumer electronics. Annual revenue totaled NT\$275,512 million, up 29.2% year-over-year.

Consolidated Gross Profit and Gross Margin

The fourth-quarter gross profit was NT\$23,713 million, down 14.1% sequentially and 0.3% year-over-year. Gross margin for the quarter was 34.5%, down 0.7 percentage points sequentially and 4 percentage points year-over-year. The year-over-year decrease were mainly due to product mix and smartphone market competition.

Gross profit of the year amounted to NT\$98,190 million (gross margin: 35.6%), up 6.5% year-over-year.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$19,731 million (28.7% of revenue), compared with NT\$19,995 million (25.5% of revenue) in the previous quarter, and NT\$20,033 million (32.5% of revenue) in the same period last year. Operating expenses for the quarter were largely flat on quarter-over-quarter and year-over-year basis.

Operating expenses for the quarter included:

- R&D expenses of NT\$14,035 million (20.4% of revenue), decreased from NT\$14,592 million in 3Q16, and decreased from NT\$15,437 million in 4Q15.
- Selling expenses of NT\$3,675 million (5.4% of revenue), increased from NT\$3,532 million in 3Q16, and increased from NT\$3,599 million in 4Q15.
- Administration expenses of NT\$2,021 million (2.9% of revenue), increased from NT\$1,871 million in 3Q16, and increased from NT\$996 million in 4Q15.

Full-year 2016 operating expense was NT\$75,114 million (27.3% of revenue), increased 13.3% year-over-year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$3,981 million, down 47.8% sequentially, and up 6.2% year-over-year. Operating margin for the quarter was 5.8%, decreased from 9.7% in the previous quarter, and decreased from 6.1% in the year-ago quarter.

Operating income of the year was NT\$23,076 million (operating margin: 8.4%), down 10.9% year-over-year.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$1,586 million, or 2.3% of revenue. It was mainly from interest income and investment income recognized under the equity method. Income tax expense for the quarter was NT\$430 million.

Non-operating income of the year amounted to NT\$4,137 million, compared with NT\$3,461 million last year.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$5,138 million, down 34.4% sequentially, and up 22.9% year-over-year. Net profit margin for the quarter was 7.5%, decreased from 10.0% in the previous quarter, and increased from 6.8% in the year-ago quarter. EPS was NT\$3.23, compared with NT\$4.98 in the prior quarter and NT\$2.83 in the year-ago quarter.

Full year 2016 net income was NT\$24,031 million, down 6.7% year-over-year. Accumulated EPS was NT\$15.16 for the year, compared with NT\$16.60 last year.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$149,385 million. This represents 41.5% of the company's total assets. Cash and financial assets-current was NT\$155,684 million and NT\$166,898 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\$20,481 million. The accounts receivable turnover was 30 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 26 days in the last quarter and 24 days the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$33,923 million at the end of the quarter. The inventory turnover was 72 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than 63 days in the last quarter and 70 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$9,209 million, compared with NT\$3,170 million in the prior quarter and NT\$18,164 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (January 26). 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_2016Q4_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2016Q4_en.html

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About MediaTek Inc.

MediaTek Incorporated (TWSE: 2454) is a global fabless semiconductor company that enables 1.5 billion connected devices a year. We are a market leader in developing innovative systems-on-chip (SoC) for mobile device, home entertainment, connectivity and IoT products. Our dedication to innovation has positioned us as a driving market force in several key technology areas, including highly power-efficient mobile technologies and advanced multimedia solutions across a broad range of products such as smartphones, tablets, digital televisions, OTT boxes, wearables and automotive solutions. MediaTek empowers and inspires people to expand their horizons and more easily achieve their goals through smart technology. 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)

	4Q16	3Q16	4Q15	Q-Q	Y-Y
Net Sales	68,675	78,403	61,713	(12.4%)	11.3%
Operating costs	(44,963)	(50,787)	(37,932)		
Gross Profit	23,713	27,617	23,780	(14.1%)	(0.3%)
Selling expenses	(3,675)	(3,532)	(3,599)		
Administration expenses	(2,021)	(1,871)	(996)		
R&D expenses	(14,035)	(14,592)	(15,437)		
Operating Expenses	(19,731)	(19,995)	(20,033)		
Operating Income	3,981	7,622	3,748	(47.8%)	6.2%
Net Non-operating Income	1,586	993	997		
Net Income Before Income Tax	5,568	8,615	4,745		
Income tax expense	(430)	(785)	(564)		
Net Income	5,138	7,830	4,181	(34.4%)	22.9%
EPS Attributable to the Parent(NT\$)	3.23	4.98	2.83		

Note: Numbers do not add up due to rounding.

Supplemental Information: Percentage of Revenue

	4Q16	3Q16	4Q15
Gross profit	34.5%	35.2%	38.5%
Selling expenses	(5.4%)	(4.5%)	(5.8%)
Administration expenses	(2.9%)	(2.4%)	(1.6%)
R&D expenses	(20.4%)	(18.6%)	(25.0%)
Operating profit	5.8%	9.7%	6.1%
Non-operating income	2.3%	1.3%	1.6%
Income tax expense	(0.6%)	(1.0%)	(0.9%)
Net profit	7.5%	10.0%	6.8%

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Income Statement

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

	2016	2015	Y-Y
Net Sales	275,512	213,255	29.2%
Operating costs	(177,322)	(121,076)	
Gross Profit	98,190	92,180	6.5%
Selling expenses	(12,414)	(9,326)	
Administration expenses	(7,015)	(7,417)	
R&D expenses	(55,685)	(49,529)	
Operating Expenses	(75,114)	(66,272)	
Operating Income	23,076	25,908	(10.9%)
Net Non-operating Income	4,137	3,461	
Net Income Before Income Tax	27,213	29,368	
Income tax expense	(3,182)	(3,600)	
Net Income	24,031	25,769	(6.7%)
EPS Attributable to the Parent(NT\$)	15.16	16.60	

Note: Numbers do not add up due to rounding.

Supplemental Information: Percentage of Revenue

	2016	2015
Gross profit	35.6%	43.2%
Selling expense	(4.5%)	(4.4%)
Administration expenses	(2.5%)	(3.5%)
R&D expenses	(20.2%)	(23.2%)
Operating profit	8.4%	12.1%
Non-operating income	1.5%	1.6%
Income tax expense	(1.2%)	(1.7%)
Net profit	8.7%	12.1%

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Balance Sheet

(In NT\$ millions)

	4Q16	3Q16	4Q15
Cash & Financial assets-current	149,385	155,684	166,898
Accounts receivable	20,481	24,331	16,195
Inventories	33,923	36,630	24,130
Other current assets	12,408	12,472	7,650
Funds and investments	30,120	25,461	22,814
Intangible assets	72,015	72,848	75,431
Other non-current assets	41,449	40,768	38,132
Total assets	359,781	368,194	351,250
Short-term loans	54,524	64,555	49,123
Accounts payable	24,630	30,219	16,156
Other current liabilities	40,174	39,381	35,987
Total non-current liabilities	3,586	3,921	2,896
Total equity	236,867	230,118	247,087

Note: Numbers do not add up due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary

(In NT\$ millions)

	4Q16	3Q16	4Q15
Net cash provided by (used in) operating activities	9,209	3,170	18,164
Net cash provided by (used in) investing activities	(2,026)	(4,864)	(15,036)
Net cash provided by (used in) financing activities	(10,638)	(11,629)	(8,221)
Effect of changes in exchange rate on cash and cash equivalents	861	(2,663)	(743)
Net increase (decrease) in cash and cash equivalents	(2,595)	(15,985)	(5,836)
Cash and cash equivalents at the end of the period	141,349	143,944	153,280

Note: Numbers do not add up due to rounding.