

MediaTek Inc. Reports First Quarter 2017 Consolidated Results

MediaTek discloses Taiwan-International Financial Reporting Standards (TIFRS) financial measures and also provides Non-Taiwan-International Financial Reporting Standards (Non-TIFRS)^{Note1} financial measures as supplemental information. Non-TIFRS financial information should be considered in addition to, not as a substitute, for TIFRS financial information. Earnings distribution is made in accordance with financial statements based on TIFRS.

Taiwan-International Financial Reporting Standards (TIFRS) financial measures

- 1Q17 consolidated revenue of NT\$56,083 million, down 18.3% from previous quarter
- 1Q17 consolidated gross margin of 33.5%, down 1 percentage points from previous quarter
- 1Q17 consolidated operating income of NT\$1,212 million
- 1Q17 consolidated net income of NT\$6,639 million; EPS of NT\$4.29

Consolidated Revenue

MediaTek Inc. today announced financial results of first-quarter ended March 31, 2017. First quarter revenue was NT\$56,083 million, down 18.3% sequentially, and up 0.3% year-over-year. The quarter-over-quarter decrease was mainly due to seasonal decline in consumer electronics.

Consolidated Gross Profit and Gross Margin

The first-quarter gross profit was NT\$18,790 million, down 20.8% sequentially and 11.8% year-over-year. Gross margin for the quarter was 33.5%, down 1 percentage points sequentially and down 4.6 percentage points year-over-year due to smartphone market competition.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$17,578 million (31.3% of revenue), compared with NT\$19,731 million (28.7% of revenue) in the previous quarter, and NT\$16,904 million (30.2% of revenue) in the same period last year. The quarter-over-quarter decrease was mainly due to lower shipment-related expenses for the quarter and higher year-end reimbursement expenses for the previous quarter. The year-over-year increase was mainly due to recognition of acquired subsidiaries' operating expenses.

Operating expenses for the quarter included:

- R&D expenses of NT\$13,489 million (24.1% of revenue), decreased from NT\$14,035 million in 4Q16, and increased from NT\$13,417 million in 1Q16.
- Selling expenses of NT\$2,368 million (4.2% of revenue), decreased from NT\$3,675 million in 4Q16, and increased from NT\$1,996 million in 1Q16.
- Administration expenses of NT\$1,720 million (3.1% of revenue), decreased from NT\$2,021 million in 4Q16, and increased from NT\$1,491 million in 1Q16.

Note1: Non-TIFRS financial information should be considered in addition to, not as a substitute for TIFRS financial information. Reconciliations between TIFRS and Non-TIFRS results include share-based compensation, amortization of acquisition related assets, tax effect and other items. Further information is included in supplemental information.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$1,212 million, down 69.6% sequentially, and down 72.5% year-over-year. Operating margin for the quarter was 2.2%, decreased from 5.8% in the previous quarter, and decreased from 7.9% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$6,289 million, or 11.2% of revenue, mainly contributed by disposal gain from the sale of AutoChips equity. Income tax expense for the quarter was NT\$862 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$6,639 million, up 29.2% sequentially, and up 48.4% year-over-year. Net profit margin for the quarter was 11.8%, increased from 7.5% in the previous quarter, and increased from 8.0% in the year-ago quarter. EPS was NT\$4.29, compared with NT\$3.23 in the prior quarter and NT\$2.79 in the year-ago quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$152,165 million. This represents 38.9% of the company's total assets. Cash and financial assets-current was NT\$153,466 million and NT\$172,722 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\$18,288 million. The accounts receivable turnover was 32 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 30 days in the last quarter and 26 days the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$37,621 million at the end of the quarter. The inventory turnover was 88 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than 72 days in the last quarter and 67 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided used in operating activities during the quarter was NT\$1,183 million, compared with Net cash provided by operating activities NT\$9,209 million in the prior quarter and NT\$7,958 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (April 28). 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_2017Q1_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2017Q1_en.html

Dial-in Number: +886-2-21928016

Password: 777883#

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.

Taiwan-International Financial Reporting Standards (TIFRS)

MediaTek Inc. Consolidated Income Statement (Unaudited)

(In NT\$ millions, except EPS)	1Q17	4Q16	1Q16	Q-Q	Y-Y
Net Sales	56,083	68,675	55,905	(18.3%)	0.3%
Operating costs	(37,293)	(44,963)	(34,598)		
Gross profit	18,790	23,713	21,307	(20.8%)	(11.8%)
Selling expenses	(2,368)	(3,675)	(1,996)		
Administration expenses	(1,720)	(2,021)	(1,491)		
R&D expenses	(13,489)	(14,035)	(13,417)		
Operating expenses	(17,578)	(19,731)	(16,904)		
Operating income	1,212	3,981	4,403	(69.6%)	(72.5%)
Net non-operating income	6,289	1,586	875		
Net income before income tax	7,501	5,568	5,278		
Income tax expense	(862)	(430)	(805)		
Net income	6,639	5,138	4,473	29.2%	48.4%
EPS attributable to the parent(NT\$)	4.29	3.23	2.79		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	1Q17	4Q16	1Q16
Gross profit	33.5%	34.5%	38.1%
Selling expenses	(4.2%)	(5.4%)	(3.6%)
Administration expenses	(3.1%)	(2.9%)	(2.7%)
R&D expenses	(24.1%)	(20.4%)	(24.0%)
Operating income	2.2%	5.8%	7.9%
Non-operating income	11.2%	2.3%	1.6%
Income tax expense	(1.5%)	(0.6%)	(1.4%)
Net income	11.8%	7.5%	8.0%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	1Q17	4Q16	1Q16
Cash & financial assets-current	152,165	153,466	172,722
Accounts receivable	18,288	20,481	15,598
Inventories	37,621	33,923	27,027
Other current assets	23,456	12,408	7,250
Funds and investments	40,899	36,971	20,433
Intangible assets	78,106	72,015	74,587
Other non-current assets	40,370	41,449	39,388
Total assets	390,905	370,712	357,005
Short-term loans	60,828	54,524	48,026
Accounts payable	31,297	24,630	23,023
Other current liabilities	37,515	40,174	32,994
Total non-current liabilities	6,301	4,721	3,126
Total equity	254,963	246,663	249,837

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	1Q17	4Q16	1Q16
Net cash provided by (used in) operating activities	(1,183)	9,209	7,958
Net cash provided by (used in) investing activities	(5,459)	(2,026)	(3,351)
Net cash provided by (used in) financing activities	9,702	(10,638)	107
Effect of changes in exchange rate on cash and cash equivalents	(4,472)	861	(2,031)
Net increase (decrease) in cash and cash equivalents	(1,412)	(2,595)	2,683
Cash and cash equivalents at the end of the period (Note 2)	139,149	141,349	155,963

Note 1: Sums may not equal totals due to rounding.

Note 2: Cash and cash equivalents at the end of fourth quarter of year 2016 included NT\$788 million of cash and cash equivalents from AutoChips Inc., which was reclassified as assets held for sale. Excluding the amount, cash and cash equivalents at the beginning of first quarter of year 2017 was NT\$140,561 million.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note2}

(In NT\$ millions)	1Q17	4Q16	1Q16	Q-Q	Y-Y
TIFRS operating income	1,212	3,981	4,403		
TIFRS net income	6,639	5,138	4,473		
TIFRS EPS(NT\$)	4.29	3.23	2.79		
Non-TIFRS reconciliation items	499	474	322		
Share-based compensation	207	177	11		
Amortization of acquisition related assets	369	370	364		
Tax effect	(76)	(73)	(53)		
Non-TIFRS operating income	1,788	4,528	4,778	(60.5%)	(62.6%)
Non-TIFRS operating income margin (%)	3.2%	6.6%	8.5%		
Non-TIFRS net income	7,139	5,611	4,795	27.2%	48.9%
Non-TIFRS net income margin (%)	12.7%	8.2%	8.6%		
Non-TIFRS EPS(NT\$)	4.60	3.53	3.00		

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