

MediaTek Inc. Reports Second 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

- 2Q17 consolidated revenue of NT\$58,079 million, up 3.6% from previous quarter
- 2Q17 consolidated gross margin of 35%, up 1.5 percentage points from previous quarter
- 2Q17 consolidated operating income of NT\$2,358 million, up 94.6% from previous quarter
- 2Q17 consolidated net income of NT\$2,210 million; EPS of NT\$1.51

Consolidated Revenue

MediaTek Inc. today announced financial results of second-quarter ended June 30, 2017. Second quarter revenue was NT\$58,079 million, up 3.6% sequentially, and down 19.9% year-over-year. The quarter-over-quarter increase was mainly due to increasing market demand of certain consumer electronics. The year-over-year decrease was mainly due to lower smartphone shipments.

Consolidated Gross Profit and Gross Margin

The second-quarter gross profit was NT\$20,330 million, up 8.2% sequentially, and down 20.4% year-over-year. Gross margin for the quarter was 35%, up 1.5 percentage points sequentially, and down 0.2 percentage points year-over-year. The quarter-over-quarter increase was mainly due to a favorable product mix.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$17,972 million (30.9% of revenue), compared with NT\$17,578 million (31.3% of revenue) in the previous quarter, and NT\$18,484 million (25.5% of revenue) in the same period last year. The quarter-over-quarter increase was mainly due to higher reimbursement expenses and recognition of acquired subsidy's operating expense. The year-over-year decrease was mainly due to lower shipment-related expenses for the quarter.

Operating expenses for the quarter included:

- R&D expenses of NT\$13,624 million (23.5% of revenue), increased from NT\$13,489 million in the previous quarter, and decreased from NT\$13,641 million in the same period last year.
- Selling expenses of NT\$2,715 million (4.7% of revenue), increased from NT\$2,368 million in the previous quarter, and decreased from NT\$3,211 million in the same period last year.

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.

- Administration expenses of NT\$1,632 million (2.8% of revenue), decreased from NT\$1,720 million in the previous quarter, unchanged from the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$2,358 million, up 94.6% sequentially, and down 66.6% year-over-year. Operating margin for the quarter was 4.1%, increased from 2.2% in the previous quarter, and decreased from 9.7% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$1,022 million, or 1.8% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$1,170 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$2,210 million, down 66.7% sequentially, and down 66.5% year-over-year. Net profit margin for the quarter was 3.8%, decreased from 11.8% in the previous quarter, and decreased from 9.1% in the year-ago quarter. EPS was NT\$1.51, compared with NT\$4.29 in the prior quarter and NT\$4.16 in the year-ago quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$154,945 million. This represents 38.4% of the company's total assets. Cash and financial assets-current was NT\$152,165 million and NT\$172,084 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\$20,581 million. The accounts receivable turnover was 31 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than 32 days in the last quarter, and higher than 23 days the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$39,617 million at the end of the quarter. The inventory turnover was 93 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than 88 days in the last quarter and 59 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash used in operating activities during the quarter was NT\$1,156 million, compared with net cash used in operating activities NT\$1,183 million in the prior quarter, and net cash provided by operating activities NT\$12,210 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (July 31). 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_2017Q2_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2017Q2_en.html

Dial-in Number: +886-2-21928016

Password: 382522#

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)	2Q17	1Q17	2Q16	Q-Q	Y-Y
Net Sales	58,079	56,083	72,527	3.6%	(19.9%)
Operating costs	(37,749)	(37,293)	(46,974)		
Gross profit	20,330	18,790	25,553	8.2%	(20.4%)
Selling expenses	(2,715)	(2,368)	(3,211)		
Administration expenses	(1,632)	(1,720)	(1,632)		
R&D expenses	(13,624)	(13,489)	(13,641)		
Operating expenses	(17,972)	(17,578)	(18,484)		
Operating income	2,358	1,212	7,069	94.6%	(66.6%)
Net non-operating income	1,022	6,289	682		
Net income before income tax	3,380	7,501	7,751		
Income tax expense	(1,170)	(862)	(1,162)		
Net income	2,210	6,639	6,590	(66.7%)	(66.5%)
EPS attributable to the parent(NT\$)	1.51	4.29	4.16		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2Q17	1Q17	2Q16
Gross profit	35.0%	33.5%	35.2%
Selling expenses	(4.7%)	(4.2%)	(4.4%)
Administration expenses	(2.8%)	(3.1%)	(2.3%)
R&D expenses	(23.5%)	(24.1%)	(18.8%)
Operating income	4.1%	2.2%	9.7%
Non-operating income	1.8%	11.2%	0.9%
Income tax expense	(2.0%)	(1.5%)	(1.6%)
Net income	3.8%	11.8%	9.1%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	2Q17	1Q17	2Q16
Cash & financial assets-current	154,945	152,165	172,084
Accounts receivable	20,581	18,288	21,014
Inventories	39,617	37,621	34,014
Other current assets	23,066	23,456	11,342
Funds and investments	45,861	40,899	22,953
Intangible assets	77,803	78,106	73,806
Other non-current assets	41,438	40,370	41,146
Total assets	403,312	390,905	376,360
Short-term loans	63,237	60,828	60,849
Accounts payable	30,901	31,297	30,106
Other current liabilities	51,638	37,515	58,099
Total non-current liabilities	6,687	6,301	3,723
Total equity	250,849	254,963	223,583

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	2Q17	1Q17	2Q16
Net cash provided by (used in) operating activities	(1,156)	(1,183)	12,210
Net cash provided by (used in) investing activities	(2,410)	(5,459)	(6,229)
Net cash provided by (used in) financing activities	2,422	9,702	(2,649)
Effect of changes in exchange rate on cash and cash equivalents	479	(4,472)	635
Net increase (decrease) in cash and cash equivalents	(666)	(1,412)	3,967
Cash and cash equivalents at the end of the period	138,483	139,149	159,929

Note: Sums may not equal totals due to rounding.

【Supplemental Information】 **Reconciliations of TIFRS Results to Non-TIFRS Results^{Note2}**

(In NT\$ millions)	2Q17	1Q17	2Q16	Q-Q	Y-Y
TIFRS operating income	2,358	1,212	7,069		
TIFRS net income	2,210	6,639	6,590		
TIFRS EPS(NT\$)	1.51	4.29	4.16		
Non-TIFRS reconciliation items	711	499	340		
Share-based compensation	246	207	8		
Amortization of acquisition related assets	587	369	383		
Tax effect	(123)	(76)	(52)		
Non-TIFRS operating income	3,192	1,788	7,461	78.5%	(57.2%)
Non-TIFRS operating income margin (%)	5.5%	3.2%	10.3%		
Non-TIFRS net income	2,921	7,139	6,929	(59.1%)	(57.8%)
Non-TIFRS net income margin (%)	5.0%	12.7%	9.6%		
Non-TIFRS EPS(NT\$)	1.96	4.60	4.37		

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