

MediaTek Inc. Reports Third 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

- 3Q17 consolidated revenue of NT\$63,651 million, up 9.6% from previous quarter
- 3Q17 consolidated gross margin of 36.4%, up 1.4 percentage points from previous quarter
- 3Q17 consolidated operating income of NT\$4,959 million, up 110.3% from previous quarter
- 3Q17 consolidated net income of NT\$5,061 million; EPS of NT\$3.26

Consolidated Revenue

MediaTek Inc. today announced financial results of third-quarter ended September 30, 2017. The third-quarter revenue was NT\$63,651 million, up 9.6% sequentially, and down 18.8% year-over-year. The quarter-over-quarter increase was mainly due to increasing seasonal demand of certain consumer electronics. The year-over-year decrease was mainly due to lower smartphone shipments.

Consolidated Gross Profit and Gross Margin

The third-quarter gross profit was NT\$23,182 million, up 14% sequentially, and down 16.1% year-over-year. Gross margin for the quarter was 36.4%, up 1.4 percentage points sequentially, and up 1.2 percentage points year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to a favorable product mix.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$18,223 million (28.6% of revenue), compared with NT\$17,972 million (30.9% of revenue) in the previous quarter, and NT\$19,995 million (25.5% of revenue) in the same period last year. The quarter-over-quarter increase was mainly due to higher R&D expenses. 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\$14,199 million (22.3% of revenue), increased from NT\$13,624 million in the previous quarter, and decreased from NT\$14,592 million in the same period last year.
- Selling expenses of NT\$2,332 million (3.7% of revenue), decreased from NT\$2,715 million in the previous quarter, and decreased from NT\$3,532 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\$1,693 million (2.7% of revenue), increased from NT\$1,632 million in the previous quarter, and decreased from NT\$1,871 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$4,959 million, up 110.3% sequentially, and down 34.9% year-over-year. Operating margin for the quarter was 7.8%, increased from 4.1% 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\$662 million, or 1% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$560 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$5,061 million, up 129% sequentially, and down 35.4% year-over-year. Net profit margin for the quarter was 8%, increased from 3.8% in the previous quarter, and decreased from 10% in the year-ago quarter. EPS was NT\$3.26, compared with NT\$1.51 in the prior quarter and NT\$4.98 in the year-ago quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$148,858 million. This represents 37.9% of the company's total assets. Cash and financial assets-current was NT\$154,945 million and NT\$155,684 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\$21,771 million. The accounts receivable turnover was 30 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than the 31 days in the last quarter, and higher than the 26 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$36,146 million at the end of the quarter. The inventory turnover was 85 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than the 93 days in the last quarter, and higher than the 63 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$6,948 million, compared with net cash used in operating activities of NT\$1,156 million in the prior quarter, and net cash provided by operating activities of NT\$3,170 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (October 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 4:00 – 5:00 p.m. (Taiwan Time)

http://wms.gridow.com/ir/mediatek/tw/mediatek_2017Q3_tw.html

In English 5:30 – 6:30 p.m. (Taiwan Time)

http://wms.gridow.com/ir/mediatek/en/mediatek_2017Q3_en.html

Dial-in Number: +886-2-21928016

Password: 276135#

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)	3Q17	2Q17	3Q16	Q-Q	Y-Y
Net Sales	63,651	58,079	78,403	9.6%	(18.8%)
Operating costs	(40,469)	(37,749)	(50,787)		
Gross profit	23,182	20,330	27,617	14.0%	(16.1%)
Selling expenses	(2,332)	(2,715)	(3,532)		
Administration expenses	(1,693)	(1,632)	(1,871)		
R&D expenses	(14,199)	(13,624)	(14,592)		
Operating expenses	(18,223)	(17,972)	(19,995)		
Operating income	4,959	2,358	7,622	110.3%	(34.9%)
Net non-operating income	662	1,022	993		
Net income before income tax	5,621	3,380	8,615		
Income tax expense	(560)	(1,170)	(785)		
Net income	5,061	2,210	7,830	129.0%	(35.4%)
EPS attributable to the parent(NT\$)	3.26	1.51	4.98		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	3Q17	2Q17	3Q16
Gross profit	36.4%	35.0%	35.2%
Selling expenses	(3.7%)	(4.7%)	(4.5%)
Administration expenses	(2.7%)	(2.8%)	(2.4%)
R&D expenses	(22.3%)	(23.5%)	(18.6%)
Operating income	7.8%	4.1%	9.7%
Non-operating income	1.0%	1.8%	1.3%
Income tax expense	(0.9%)	(2.0%)	(1.0%)
Net income	8.0%	3.8%	10.0%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	3Q17	2Q17	3Q16
Cash & financial assets-current	148,858	154,945	155,684
Accounts receivable	21,771	20,581	24,331
Inventories	36,146	39,617	36,630
Other current assets	16,817	23,066	12,472
Funds and investments	50,123	45,861	25,461
Intangible assets	77,045	77,803	72,848
Other non-current assets	41,720	41,438	40,768
Total assets	392,481	403,312	368,194
Short-term loans	63,230	63,237	64,555
Accounts payable	27,943	30,901	30,219
Other current liabilities	36,390	51,638	39,381
Total non-current liabilities	7,018	6,687	3,921
Total equity	257,900	250,849	230,118

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	3Q17	2Q17	3Q16
Net cash provided by (used in) operating activities	6,948	(1,156)	3,170
Net cash provided by (used in) investing activities	1,358	(2,410)	(4,864)
Net cash provided by (used in) financing activities	(17,315)	2,422	(11,629)
Effect of changes in exchange rate on cash and cash equivalents	(13)	479	(2,663)
Net increase (decrease) in cash and cash equivalents	(9,021)	(666)	(15,985)
Cash and cash equivalents at the end of the period	129,462	138,483	143,944

Note: Sums may not equal totals due to rounding.

【 Supplemental Information 】

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

(In NT\$ millions)	3Q17	2Q17	3Q16	Q-Q	Y-Y
TIFRS operating income	4,959	2,358	7,622		
TIFRS net income	5,061	2,210	7,830		
TIFRS EPS(NT\$)	3.26	1.51	4.98		
Non-TIFRS reconciliation items	538	711	513		
Share-based compensation	215	246	111		
Amortization of acquisition related assets	407	587	481		
Tax effect	(84)	(123)	(79)		
Non-TIFRS operating income	5,580	3,192	8,214	74.8%	(32.1%)
Non-TIFRS operating income margin (%)	8.8%	5.5%	10.5%		
Non-TIFRS net income	5,598	2,921	8,343	91.6%	(32.9%)
Non-TIFRS net income margin (%)	8.8%	5.0%	10.6%		
Non-TIFRS EPS(NT\$)	3.61	1.96	5.31		

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