

MediaTek Inc. Reports First Quarter 2018 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

- 1Q18 consolidated revenue of NT\$49,654 million, down 17.8% from previous quarter**
- 1Q18 consolidated gross margin of 38.4%, up 1 percentage points from previous quarter**
- 1Q18 consolidated operating income of NT\$1,929 million, up 49.5% from previous quarter**
- 1Q18 consolidated net income of NT\$2,660 million; EPS of NT\$1.69**

Consolidated Revenue

MediaTek Inc. today announced financial results of first-quarter ended March 31, 2018. The first-quarter revenue was NT\$49,654 million, down 17.8% sequentially, and down 11.5% year-over-year. The quarter-over-quarter decrease was mainly due to lower seasonal demand of certain consumer electronics. The year-over-year decrease was mainly due to weak smartphone market demand, offsetting strong growth from IoT and ASIC products.

Consolidated Gross Profit and Gross Margin

The first-quarter gross profit was NT\$19,085 million, down 15.5% sequentially, and up 1.6% year-over-year. Gross margin for the quarter was 38.4%, up 1 percentage points sequentially, and up 4.9 percentage points year-over-year. The quarter-over-quarter and year-over year increases were mainly due to a favorable product mix with higher percentage of revenue from higher margin products.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$17,155 million (34.5% of revenue), compared with NT\$21,294 million (35.3% of revenue) in the previous quarter, and NT\$17,578 million (31.3% of revenue) in the same period last year. The quarter-over-quarter and year-over-year decreases were mainly due to one-time expense recognition resulting from the disposal of investments in previous quarter and in the same period last year.

Operating expenses for the quarter included:

- R&D expenses of NT\$13,316 million (26.8% of revenue), decreased from NT\$15,859 million in the previous quarter, and decreased from NT\$13,489 million in the same period last year.
- Selling expenses of NT\$2,163 million (4.4% of revenue), decreased from NT\$3,050 million in the previous quarter, and decreased from NT\$2,368 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\$1,676 million (3.4% of revenue), decreased from NT\$2,385 million in the previous quarter, and decreased from NT\$1,720 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$1,929 million, up 49.5% sequentially, and up 59.2% year-over-year. Operating margin for the quarter was 3.9%, increased from 2.1% in the previous quarter, and increased from 2.2% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$1,183 million, or 2.4% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$452 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$2,660 million, down 73.8% sequentially, and down 59.9% year-over-year. Net profit margin for the quarter was 5.4%, decreased from 16.8% in the previous quarter, and decreased from 11.8% in the year-ago quarter. EPS was NT\$1.69, compared with NT\$6.50 in the prior quarter and NT\$4.29 in the year-ago quarter. The quarter-over-quarter and year-over-year decreases were due to the one-off gains on disposal of investments in previous quarter and in the same period last year.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$165,235 million. This represents 40% of the company's total assets. Cash and financial assets-current was NT\$170,120 million and NT\$152,165 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\$25,839 million. The accounts receivable turnover was 39 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than the 29 days in the last quarter, and higher than the 32 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$33,320 million at the end of the quarter. The inventory turnover was 89 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than the 76 days in the last quarter, and higher than the 88 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash used in operating activities during the quarter was NT\$1,663 million, compared with net cash provided by operating activities of NT\$16,707 million in the prior quarter, and net cash used in operating activities of NT\$1,183 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (April 27). 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_2018Q1_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2018Q1_en.html

Dial-in Number: +886-2-21928016

Password: 799349#

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)	1Q18	4Q17	1Q17	Q-Q	Y-Y
Net Sales	49,654	60,403	56,083	(17.8%)	(11.5%)
Operating costs	(30,569)	(37,819)	(37,293)		
Gross profit	19,085	22,584	18,790	(15.5%)	1.6%
Selling expenses	(2,163)	(3,050)	(2,368)		
Administration expenses	(1,676)	(2,385)	(1,720)		
R&D expenses	(13,316)	(15,859)	(13,489)		
Operating expenses	(17,155)	(21,294)	(17,578)		
Operating income	1,929	1,290	1,212	49.5%	59.2%
Net non-operating income	1,183	9,445	6,289		
Net income before income tax	3,113	10,735	7,501		
Income tax expense	(452)	(575)	(862)		
Net income	2,660	10,160	6,639	(73.8%)	(59.9%)
EPS attributable to the parent(NT\$)	1.69	6.50	4.29		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	1Q18	4Q17	1Q17
Gross profit	38.4%	37.4%	33.5%
Selling expenses	(4.4%)	(5.0%)	(4.2%)
Administration expenses	(3.4%)	(3.9%)	(3.1%)
R&D expenses	(26.8%)	(26.3%)	(24.1%)
Operating income	3.9%	2.1%	2.2%
Non-operating income	2.4%	15.6%	11.2%
Income tax expense	(0.9%)	(1.0%)	(1.5%)
Net income	5.4%	16.8%	11.8%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	1Q18	4Q17	1Q17
Cash & financial assets-current	165,235	170,120	152,165
Accounts receivable	25,839	16,895	18,288
Inventories	33,320	26,540	37,621
Other current assets	15,896	25,109	23,456
Funds and investments	54,311	37,772	40,899
Intangible assets	75,286	76,029	78,106
Other non-current assets	43,475	42,348	40,370
Total assets	413,362	394,814	390,905
Short-term loans	62,700	64,316	60,828
Accounts payable	28,581	23,584	31,297
Other current liabilities	42,235	39,357	37,515
Total non-current liabilities	5,832	6,358	6,301
Total equity	274,015	261,199	254,963

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	1Q18	4Q17	1Q17
Net cash provided by (used in) operating activities	(1,663)	16,707	(1,183)
Net cash provided by (used in) investing activities	(896)	(2,137)	(5,459)
Net cash provided by (used in) financing activities	(1,281)	1,408	9,702
Effect of changes in exchange rate on cash and cash equivalents	(881)	(101)	(4,472)
Net increase (decrease) in cash and cash equivalents	(4,721)	15,877	(1,412)
Cash and cash equivalents at the end of the period	140,617	145,338	139,149

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

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

(In NT\$ millions)	1Q18	4Q17	1Q17	Q-Q	Y-Y
TIFRS operating income	1,929	1,290	1,212		
TIFRS net income	2,660	10,160	6,639		
TIFRS EPS(NT\$)	1.69	6.50	4.29		
Non-TIFRS reconciliation items	380	299	499		
Share-based compensation	113	(-54)	207		
Amortization of acquisition related assets	325	403	369		
Tax effect	(58)	(50)	(76)		
Non-TIFRS operating income	2,367	1,639	1,788	44.4%	32.4%
Non-TIFRS operating income margin (%)	4.8%	2.7%	3.2%		
Non-TIFRS net income	3,041	10,459	7,139	(70.9%)	(57.4%)
Non-TIFRS net income margin (%)	6.1%	17.3%	12.7%		
Non-TIFRS EPS(NT\$)	1.93	6.68	4.60		

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