

MediaTek Inc. Reports Second 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

- 2Q18 consolidated revenue of NT\$60,481 million, up 21.8% from previous quarter
- 2Q18 consolidated gross margin of 38.2%, down 0.2 percentage points from previous quarter
- 2Q18 consolidated operating income of NT\$4,092 million, up 112.1% from previous quarter
- 2Q18 consolidated net income of NT\$7,498 million; EPS of NT\$4.75

Consolidated Revenue

MediaTek Inc. today announced financial results of second-quarter ended June 30, 2018. The second-quarter revenue was NT\$60,481 million, up 21.8% sequentially, and up 4.1% year-over-year. The quarter-over-quarter increase was mainly due to the ramp-up of smartphone new products. The year-over-year increase was mainly due to stronger sales from smartphone and certain consumer electronics.

Consolidated Gross Profit and Gross Margin

The second-quarter gross profit was NT\$23,113 million, up 21.1% sequentially, and up 13.7% year-over-year. Gross margin for the quarter was 38.2%, down 0.2 percentage points sequentially, and up 3.2 percentage points year-over-year. The quarter-over-quarter and year-over-year movements were mainly due to product mix changes.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$19,020 million (31.4% of revenue), compared with NT\$17,155 million (34.5% of revenue) in the previous quarter, and NT\$17,972 million (30.9% of revenue) in the same period last year. The quarter-over-quarter and year-over-year increase were mainly due to one-time expense recognition resulting from the disposal of investments this quarter.

Operating expenses for the quarter included:

- R&D expenses of NT\$14,272 million (23.6% of revenue), increased from NT\$13,316 million in the previous quarter, and increased from NT\$13,624 million in the same period last year.
- Selling expenses of NT\$2,935 million (4.9% of revenue), increased from NT\$2,163 million in the previous quarter, and increased from NT\$2,715 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\$1,814 million (3.0% of revenue), increased from NT\$1,676 million in the previous quarter, and increased from NT\$1,632 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$4,092 million, up 112.1% sequentially, and up 73.5% year-over-year. Operating margin for the quarter was 6.8%, increased from 3.9% in the previous quarter, and increased from 4.1% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$4,665 million, or 7.7% of revenue. It was mainly from the gains on disposal of investments. Income tax expense for the quarter was NT\$1,260 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$7,498 million, up 181.9% sequentially, and up 239.3% year-over-year. Net profit margin for the quarter was 12.4%, increased from 5.4% in the previous quarter, and increased from 3.8% in the year-ago quarter. EPS was NT\$4.75, compared with NT\$1.69 in the prior quarter and NT\$1.51 in the year-ago quarter. The quarter-over-quarter increase was due to the one-off gains on disposal of investments this quarter. The year-over-year increase was mainly due to increase in gross margin and the one-off gains on disposal of investments this quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$191,991 million. This represents 43.4% of the company's total assets. Cash and financial assets-current was NT\$165,235 million and NT\$154,945 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\$31,956 million. The accounts receivable turnover was 44 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than the 39 days in the last quarter, and higher than the 31 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$36,875 million at the end of the quarter. The inventory turnover was 86 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than the 89 days in the last quarter, and lower than the 93 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$9,202 million, compared with net cash used in operating activities of NT\$1,663 million in the prior quarter, and net cash used in operating activities of NT\$1,156 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 4:00 – 5:00 p.m. (Taiwan Time)

http://wms.gridow.com/ir/mediatek/tw/mediatek_2018Q2_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2018Q2_en.html

Dial-in Number: +886-2-21928016

Password: 515385#

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)	2Q18	1Q18	2Q17	Q-Q	Y-Y
Net Sales	60,481	49,654	58,079	21.8%	4.1%
Operating costs	(37,369)	(30,569)	(37,749)		
Gross profit	23,113	19,085	20,330	21.1%	13.7%
Selling expenses	(2,935)	(2,163)	(2,715)		
Administration expenses	(1,814)	(1,676)	(1,632)		
R&D expenses	(14,272)	(13,316)	(13,624)		
Operating expenses	(19,020)	(17,155)	(17,972)		
Operating income	4,092	1,929	2,358	112.1%	73.5%
Net non-operating income	4,665	1,183	1,022		
Net income before income tax	8,757	3,113	3,380		
Income tax expense	(1,260)	(452)	(1,170)		
Net income	7,498	2,660	2,210	181.9%	239.3%
EPS attributable to the parent(NT\$)	4.75	1.69	1.51		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2Q18	1Q18	2Q17
Gross profit	38.2%	38.4%	35.0%
Selling expenses	(4.9%)	(4.4%)	(4.7%)
Administration expenses	(3.0%)	(3.4%)	(2.8%)
R&D expenses	(23.6%)	(26.8%)	(23.5%)
Operating income	6.8%	3.9%	4.1%
Non-operating income	7.7%	2.4%	1.8%
Income tax expense	(2.1%)	(0.9%)	(2.0%)
Net income	12.4%	5.4%	3.8%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	2Q18	1Q18	2Q17
Cash & financial assets-current	191,991	165,235	154,945
Accounts receivable	31,956	25,839	20,581
Inventories	36,875	33,320	39,617
Other current assets	17,345	15,896	23,066
Funds and investments	45,770	54,311	45,861
Intangible assets	74,805	75,286	77,803
Other non-current assets	43,510	43,475	41,438
Total assets	442,254	413,362	403,312
Short-term loans	79,288	62,700	63,237
Accounts payable	28,740	28,581	30,901
Other current liabilities	69,075	42,235	51,638
Total non-current liabilities	5,267	5,832	6,687
Total equity	259,884	274,015	250,849

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	2Q18	1Q18	2Q17
Net cash provided by (used in) operating activities	9,202	(1,663)	(1,156)
Net cash provided by (used in) investing activities	5,156	(896)	(2,410)
Net cash provided by (used in) financing activities	14,431	(1,281)	2,422
Effect of changes in exchange rate on cash and cash equivalents	1,966	(881)	479
Net increase (decrease) in cash and cash equivalents	30,756	(4,721)	(666)
Cash and cash equivalents at the end of the period	171,373	140,617	138,483

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

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

(In NT\$ millions)	2Q18	1Q18	2Q17	Q-Q	Y-Y
TIFRS operating income	4,092	1,929	2,358		
TIFRS net income	7,498	2,660	2,210		
TIFRS EPS(NT\$)	4.75	1.69	1.51		
Non-TIFRS reconciliation items	409	380	711		
Share-based compensation	114	113	246		
Amortization of acquisition related assets	387	325	587		
Tax effect	(91)	(58)	(123)		
Non-TIFRS operating income	4,592	2,366	3,192	94.1%	43.9%
Non-TIFRS operating income margin (%)	7.6%	4.8%	5.5%		
Non-TIFRS net income	7,907	3,040	2,921	160.2%	170.7%
Non-TIFRS net income margin (%)	13.1%	6.1%	5.0%		
Non-TIFRS EPS(NT\$)	5.02	1.93	1.96		

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