

MediaTek Inc. Reports Fourth 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

- 4Q17 consolidated revenue of NT\$60,403 million, down 5.1% from previous quarter
- 4Q17 consolidated gross margin of 37.4%, up 1 percentage points from previous quarter
- 4Q17 consolidated operating income of NT\$1,290 million
- 4Q17 consolidated net income of NT\$10,160 million, up 100.8% from previous quarter
- 4Q17 EPS was NT\$6.5
- 2017 consolidated revenue of NT\$238,216 million; EPS of NT\$15.56

Consolidated Revenue

MediaTek Inc. today announced financial results of fourth-quarter ended December 31, 2017. The fourth-quarter revenue was NT\$60,403 million, down 5.1% sequentially, and down 12% year-over-year. The quarter-over-quarter decrease was mainly due to decreasing seasonal demand of certain consumer electronics. The year-over-year decrease was mainly due to lower smartphone shipments. Annual revenue totaled NT\$238,216 million, down 13.5% year-over-year.

Consolidated Gross Profit and Gross Margin

The fourth-quarter gross profit was NT\$22,584 million, down 2.6% sequentially, and down 4.8% year-over-year. Gross margin for the quarter was 37.4%, up 1 percentage points sequentially, and up 2.9 percentage points year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to a favorable product mix.

Gross profit of the year amounted to NT\$84,886 million (gross margin: 35.6%), down 13.5% year-over-year.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$21,294 million (35.3% of revenue), compared with NT\$18,223 million (28.6% of revenue) in the previous quarter, and NT\$19,731 million (28.7% of revenue) in the same period last year. The quarter-over-quarter and year-over-year increases were mainly due to related expense recognition resulting from the disposal of the shares of Shenzhen Huiding Technology Co., Ltd.

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.

Operating expenses for the quarter included:

- R&D expenses of NT\$15,859 million (26.3% of revenue), increased from NT\$14,199 million in the previous quarter, and increased from NT\$14,035 million in the same period last year.
- Selling expenses of NT\$3,050 million (5% of revenue), increased from NT\$2,332 million in the previous quarter, and decreased from NT\$3,675 million in the same period last year.
- Administration expenses of NT\$2,385 million (3.9% of revenue), increased from NT\$1,693 million in the previous quarter, and increased from NT\$2,021 million in the same period last year.

Full-year 2017 operating expense was NT\$75,067 million (31.5% of revenue), decreased 0.1% year-over-year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$1,290 million, down 74% sequentially, and down 67.6% year-over-year. Operating margin for the quarter was 2.1%, decreased from 7.8% in the previous quarter, and decreased from 5.8% in the year-ago quarter.

Operating income of the year was NT\$9,819 million (operating margin: 4.1%), down 57.4% year-over-year.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$9,445 million, or 15.6% of revenue. It was mainly from the gains on disposal of the shares of Shenzhen Huiding Technology Co., Ltd and interest income. Income tax expense for the quarter was NT\$575 million.

Non-operating income of the year amounted to NT\$17,418 million, compared with NT\$4,137 million last year.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$10,160 million, up 100.8% sequentially, and up 97.7% year-over-year. Net profit margin for the quarter was 16.8%, increased from 8% in the previous quarter, and increased from 7.5% in the year-ago quarter. EPS was NT\$6.5, compared with NT\$3.26 in the prior quarter and NT\$3.23 in the year-ago quarter.

Full year 2017 net income was NT\$24,070 million, up 0.2% year-over-year. Accumulated EPS was NT\$15.56 for the year, compared with NT\$15.16 last year.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$170,120 million. This represents 43.1% of the company's total assets. Cash and financial assets-current was NT\$148,858 million and NT\$153,466 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\$16,895 million. The accounts receivable turnover was 29 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than the 30 days both in the last quarter and the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$26,540 million at the end of the quarter. The inventory turnover was 76 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than the 85 days in the last quarter, and higher than the 72 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$16,707 million, compared with net cash provided by operating activities of NT\$6,948 million in the prior quarter, and net cash provided by operating activities of NT\$9,209 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (January 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_2017Q4_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2017Q4_en.html

Dial-in Number: +886-2-21928016

Password: 658063#

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)	4Q17	3Q17	4Q16	Q-Q	Y-Y
Net Sales	60,403	63,651	68,675	(5.1%)	(12.0%)
Operating costs	(37,819)	(40,469)	(44,963)		
Gross profit	22,584	23,182	23,713	(2.6%)	(4.8%)
Selling expenses	(3,050)	(2,332)	(3,675)		
Administration expenses	(2,385)	(1,693)	(2,021)		
R&D expenses	(15,859)	(14,199)	(14,035)		
Operating expenses	(21,294)	(18,223)	(19,731)		
Operating income	1,290	4,959	3,981	(74.0%)	(67.6%)
Net non-operating income	9,445	662	1,586		
Net income before income tax	10,735	5,621	5,568		
Income tax expense	(575)	(560)	(430)		
Net income	10,160	5,061	5,138	100.8%	97.7%
EPS attributable to the parent(NT\$)	6.50	3.26	3.23		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	4Q17	3Q17	4Q16
Gross profit	37.4%	36.4%	34.5%
Selling expenses	(5.0%)	(3.7%)	(5.4%)
Administration expenses	(3.9%)	(2.7%)	(2.9%)
R&D expenses	(26.3%)	(22.3%)	(20.4%)
Operating income	2.1%	7.8%	5.8%
Non-operating income	15.6%	1.0%	2.3%
Income tax expense	(1.0%)	(0.9%)	(0.6%)
Net income	16.8%	8.0%	7.5%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Unaudited)

(In NT\$ millions, except EPS)	2017	2016	Y-Y
Net Sales	238,216	275,512	(13.5%)
Operating costs	(153,330)	(177,322)	
Gross Profit	84,886	98,190	(13.5%)
Selling expenses	(10,465)	(12,414)	
Administration expenses	(7,431)	(7,015)	
R&D expenses	(57,171)	(55,685)	
Operating Expenses	(75,067)	(75,114)	
Operating Income	9,819	23,076	(57.4%)
Net Non-operating Income	17,418	4,137	
Net Income Before Income Tax	27,237	27,213	
Income tax expense	(3,167)	(3,182)	
Net Income	24,070	24,031	0.2%
EPS Attributable to the Parent(NT\$)	15.56	15.16	

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2017	2016
Gross profit	35.6%	35.6%
Selling expenses	(4.4%)	(4.5%)
Administration expenses	(3.1%)	(2.5%)
R&D expenses	(24.0%)	(20.2%)
Operating income	4.1%	8.4%
Non-operating income	7.3%	1.5%
Income tax expense	(1.3%)	(1.2%)
Net income	10.1%	8.7%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	4Q17	3Q17	4Q16
Cash & financial assets-current	170,120	148,858	153,466
Accounts receivable	16,895	21,771	20,481
Inventories	26,540	36,146	33,923
Other current assets	25,109	16,817	12,408
Funds and investments	37,772	50,123	36,971
Intangible assets	76,178	77,045	72,015
Other non-current assets	42,348	41,720	41,449
Total assets	394,963	392,481	370,712
Short-term loans	64,316	63,230	54,524
Accounts payable	23,584	27,943	24,630
Other current liabilities	39,357	36,390	40,193
Total non-current liabilities	6,358	7,018	4,702
Total equity	261,348	257,900	246,663

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	4Q17	3Q17	4Q16
Net cash provided by (used in) operating activities	16,707	6,948	9,209
Net cash provided by (used in) investing activities	(2,137)	1,358	(2,026)
Net cash provided by (used in) financing activities	1,408	(17,315)	(10,638)
Effect of changes in exchange rate on cash and cash equivalents	(101)	(13)	861
Net increase (decrease) in cash and cash equivalents	15,877	(9,021)	(2,595)
Cash and cash equivalents at the end of the period	145,338	129,462	141,349

Note: Sums may not equal totals due to rounding.

【 Supplemental Information 】

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

(In NT\$ millions)	4Q17	3Q17	4Q16	Q-Q	Y-Y
TIFRS operating income	1,290	4,959	3,981		
TIFRS net income	10,160	5,061	5,138		
TIFRS EPS(NT\$)	6.50	3.26	3.23		
Non-TIFRS reconciliation items	299	538	474		
Share-based compensation	(-54)	215	177		
Amortization of acquisition related assets	403	407	370		
Tax effect	(50)	(84)	(73)		
Non-TIFRS operating income	1,639	5,580	4,528	(70.6%)	(63.8%)
Non-TIFRS operating income margin (%)	2.7%	8.8%	6.6%		
Non-TIFRS net income	10,459	5,598	5,611	86.8%	86.4%
Non-TIFRS net income margin (%)	17.3%	8.8%	8.2%		
Non-TIFRS EPS(NT\$)	6.68	3.61	3.53		

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

(In NT\$ millions)	2017	2016	Y-Y
TIFRS operating income	9,819	23,076	
TIFRS net income	24,070	24,031	
TIFRS EPS(NT\$)	15.56	15.16	
Non-TIFRS reconciliation items	2,047	1,648	
Share-based compensation	614	307	
Amortization of acquisition related assets	1,766	1,598	
Tax effect	(334)	(257)	
Non-TIFRS operating income	12,200	24,981	(51.2%)
Non-TIFRS operating income margin (%)	5.1%	9.1%	
Non-TIFRS net income	26,117	25,680	1.7%
Non-TIFRS net income margin (%)	11.0%	9.3%	
Non-TIFRS EPS(NT\$)	16.86	16.21	

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