

MediaTek Inc. Reports Second Quarter 2019 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

- 2Q19 consolidated revenue of NT\$61,567 million, up 16.8% from previous quarter and up 1.8% year over year
- 2Q19 consolidated gross margin of 41.9%, up 1.2 percentage points from previous quarter and up 3.7 percentage points year over year
- 2Q19 consolidated operating income of NT\$6,143 million, up 93.9% from previous quarter and up 50.1% year over year
- 2Q19 consolidated net income of NT\$6,503 million; EPS of NT\$4.11

Consolidated Revenue

MediaTek Inc. today announced financial results of second-quarter ended June 30, 2019. The second-quarter revenue was NT\$61,567 million, up 16.8% sequentially and up 1.8% year-over-year. The quarter-over-quarter increase was mainly due to increased seasonal demand for consumer electronics. The year-over-year increase was mainly due to higher sales from consumer electronics, such as IoT, ASIC, and PMIC.

Consolidated Gross Profit and Gross Margin

The second-quarter gross profit was NT\$25,790 million, up 20.1% sequentially and up 11.6% year-over-year. Gross margin for the quarter was 41.9%, up 1.2 percentage points sequentially and up 3.7 percentage points year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to favorable product mix.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$19,647 million (31.9% of revenue), compared with NT\$18,304 million (34.7% of revenue) in the previous quarter and NT\$19,020 million (31.4% of revenue) in the same period last year. The quarter-over-quarter and year-over-year increases were mainly due to higher R&D investments.

Operating expenses for the quarter included:

- R&D expenses of NT\$15,407 million (25.0% of revenue), increased from NT\$14,607 million in the previous quarter and increased from NT\$14,272 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.

- Selling expenses of NT\$2,574 million (4.2% of revenue), increased from NT\$2,143 million in the previous quarter and decreased from NT\$2,934 million in the same period last year.
- Administration expenses of NT\$1,665 million (2.7% of revenue), increased from NT\$1,555 million in the previous quarter and decreased from NT\$1,814 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$6,143 million, up 93.9% sequentially and up 50.1% year-over-year. Operating margin for the quarter was 10.0%, increased from 6.0% in the previous quarter and increased from 6.8% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$1,877 million, or 3.0% of revenue. It was mainly from interest income and gains on disposal of investments. Income tax expense for the quarter was NT\$1,518 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$6,503 million, up 90.4% sequentially and down 12.6% year-over-year. Net profit margin for the quarter was 10.6%, increased from 6.5% in the previous quarter and decreased from 12.3% in the year-ago quarter. EPS was NT\$4.11, compared with NT\$2.17 in the prior quarter and NT\$4.72 in the year-ago quarter. The quarter-over-quarter increases in net income, net profit margin and EPS were mainly due to higher quarterly sales and gross margin improvement this quarter. The year-over-year decreases in net income, net profit margin and EPS were mainly due to lower 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\$215,522 million. This represents 47.7% of the company's total assets. Cash and financial assets-current was NT\$187,586 million and NT\$191,991 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\$27,915 million. The accounts receivable turnover was 39 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than 47 days in the last quarter and 44 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$31,096 million at the end of the quarter. The inventory turnover was 78 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than 89 days in the last quarter and 86 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$14,135 million, compared with net cash provided by operating activities of NT\$1,691 million in the prior quarter and net cash provided by operating activities of NT\$9,202 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_2019Q2_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2019Q2_en.html

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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)	2Q19	1Q19	2Q18 ^(Note2)	Q-Q	Y-Y
Net Sales	61,567	52,722	60,481	16.8%	1.8%
Operating costs	(35,777)	(31,249)	(37,369)		
Gross profit	25,790	21,473	23,113	20.1%	11.6%
Selling expenses	(2,574)	(2,143)	(2,934)		
Administration expenses	(1,665)	(1,555)	(1,814)		
R&D expenses	(15,407)	(14,607)	(14,272)		
Operating expenses	(19,647)	(18,304)	(19,020)		
Operating income	6,143	3,169	4,092	93.9%	50.1%
Net non-operating income	1,877	836	4,606		
Net income before income tax	8,021	4,005	8,699		
Income tax expense	(1,518)	(589)	(1,260)		
Net income	6,503	3,416	7,439	90.4%	(12.6%)
EPS attributable to the parent(NT\$)	4.11	2.17	4.72		

Note1: Sums may not equal totals due to rounding.

Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2Q19	1Q19	2Q18
Gross profit	41.9%	40.7%	38.2%
Selling expenses	(4.2%)	(4.1%)	(4.9%)
Administration expenses	(2.7%)	(2.9%)	(3.0%)
R&D expenses	(25.0%)	(27.7%)	(23.6%)
Operating income	10.0%	6.0%	6.8%
Non-operating income	3.0%	1.6%	7.6%
Income tax expense	(2.5%)	(1.1%)	(2.1%)
Net income	10.6%	6.5%	12.3%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	2Q19	1Q19	2Q18 ^(Note2)
Cash & financial assets-current	215,522	187,586	191,991
Accounts receivable	27,915	25,312	31,956
Inventories	31,096	30,122	36,875
Other current assets	8,343	10,485	17,345
Funds and investments	48,718	45,294	46,210
Intangible assets	72,765	72,929	74,805
Other non-current assets	47,679	47,005	43,510
Total assets	452,039	418,733	442,693
Short-term loans	67,802	58,555	79,288
Accounts payable	20,905	19,975	28,740
Other current liabilities	63,982	42,989	69,075
Total non-current liabilities	10,843	9,912	5,706
Total equity	288,507	287,303	259,884

Note1: Sums may not equal totals due to rounding.

Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	2Q19	1Q19	2Q18
Net cash provided by (used in) operating activities	14,135	1,691	9,202
Net cash provided by (used in) investing activities	97	(1,608)	5,156
Net cash provided by (used in) financing activities	8,313	7,739	14,431
Effect of changes in exchange rate on cash and cash equivalents	37	486	1,966
Net increase (decrease) in cash and cash equivalents	22,582	8,309	30,756
Cash and cash equivalents at the end of the period	174,061	151,479	171,373

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note3}

(In NT\$ millions)	2Q19	1Q19	2Q18 ^(Note2)	Q-Q	Y-Y
TIFRS operating income	6,143	3,169	4,092		
TIFRS net income	6,503	3,416	7,439		
TIFRS EPS(NT\$)	4.11	2.17	4.72		
Non-TIFRS reconciliation items	682	652	409		
Share-based compensation	394	370	114		
Amortization of acquisition related assets	420	421	387		
Tax effect	(133)	(140)	(91)		
Non-TIFRS operating income	6,958	3,960	4,593	75.7%	51.5%
Non-TIFRS operating income margin (%)	11.3%	7.5%	7.6%		
Non-TIFRS net income	7,184	4,068	7,848	76.6%	(8.5%)
Non-TIFRS net income margin (%)	11.7%	7.7%	13.0%		
Non-TIFRS EPS(NT\$)	4.54	2.59	4.98		

Note1: Sums may not equal totals due to rounding.

Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

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