

MediaTek Inc. Reports Third 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

- 3Q19 consolidated revenue of NT\$67,224 million, up 9.2% from previous quarter and up 0.3% year over year
- 3Q19 consolidated gross margin of 42.1%, up 0.2 percentage points from previous quarter and up 3.6 percentage points year over year
- 3Q19 consolidated operating income of NT\$7,029 million, up 14.4% from previous quarter and up 11.4% year over year
- 3Q19 consolidated net income of NT\$6,902 million; EPS of NT\$4.38

Consolidated Revenue

MediaTek Inc. today announced financial results of third-quarter ended September 30, 2019. The third-quarter revenue was NT\$67,224 million, up 9.2% sequentially and up 0.3% year-over-year. The quarter-over-quarter increase was mainly due to higher shipment in new smartphone products and seasonal demand for consumer electronics.

Consolidated Gross Profit and Gross Margin

The third-quarter gross profit was NT\$28,290 million, up 9.7% sequentially and up 9.5% year-over-year. Gross margin for the quarter was 42.1%, up 0.2 percentage points sequentially and up 3.6 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\$21,261 million (31.6% of revenue), compared with NT\$19,647 million (31.9% of revenue) in the previous quarter and NT\$19,515 million (29.1% of revenue) in the same period last year. The quarter-over-quarter increase was mainly due to higher R&D investments and expenses associated with higher sales. The year-over-year increase was mainly due to higher R&D investments.

Operating expenses for the quarter included:

- R&D expenses of NT\$16,590 million (24.7% of revenue), increased from NT\$15,407 million in the previous quarter and increased from NT\$14,890 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\$3,024 million (4.5% of revenue), increased from NT\$2,574 million in the previous quarter and increased from NT\$2,908 million in the same period last year.
- Administration expenses of NT\$1,647 million (2.4% of revenue), decreased from NT\$1,665 million in the previous quarter and decreased from NT\$1,716 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$7,029 million, up 14.4% sequentially and up 11.4% year-over-year. Operating margin for the quarter was 10.5%, increased from 10.0% in the previous quarter and increased from 9.4% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$918 million, or 1.4% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$1,045 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$6,902 million, up 6.1% sequentially and up 2.5% year-over-year. Net profit margin for the quarter was 10.3%, decreased from 10.6% in the previous quarter and increased from 10.0% in the year-ago quarter. EPS was NT\$4.38, compared with NT\$4.11 in the prior quarter and NT\$4.30 in the year-ago quarter. The quarter-over-quarter increases in net income and EPS were mainly due to higher quarterly sales and gross margin this quarter. The slightly lower net profit margin is mainly due to a one-off gains on disposal of investments in the previous quarter. The year-over-year increases in net income, net profit margin and EPS were mainly due to higher gross margin this quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$205,786 million. This represents 45.3% of the company's total assets. Cash and financial assets-current was NT\$215,522 million and NT\$170,509 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\$30,450 million. The accounts receivable turnover was 40 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 39 days in the last quarter and lower than 44 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$31,028 million at the end of the quarter. The inventory turnover was 73 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than 78 days in the last quarter and 83 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$7,192 million, compared with net cash provided by operating activities of NT\$14,135 million in the prior quarter and net cash provided by operating activities of NT\$4,100 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (October 30). 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_2019Q3_tw.html

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2019Q3_en.html

Dial-in Number: +886-2-21928016

Password: 587230#

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)	3Q19	2Q19	3Q18^(Note2)	Q-Q	Y-Y
Net Sales	67,224	61,567	67,030	9.2%	0.3%
Operating costs	(38,934)	(35,777)	(41,206)		
Gross profit	28,290	25,790	25,825	9.7%	9.5%
Selling expenses	(3,024)	(2,574)	(2,908)		
Administration expenses	(1,647)	(1,665)	(1,716)		
R&D expenses	(16,590)	(15,407)	(14,890)		
Operating expenses	(21,261)	(19,647)	(19,515)		
Operating income	7,029	6,143	6,310	14.4%	11.4%
Net non-operating income	918	1,877	1,203		
Net income before income tax	7,947	8,021	7,513		
Income tax expense	(1,045)	(1,518)	(779)		
Net income	6,902	6,503	6,733	6.1%	2.5%
EPS attributable to the parent(NT\$)	4.38	4.11	4.30		

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)**

	3Q19	2Q19	3Q18
Gross profit	42.1%	41.9%	38.5%
Selling expenses	(4.5%)	(4.2%)	(4.3%)
Administration expenses	(2.4%)	(2.7%)	(2.6%)
R&D expenses	(24.7%)	(25.0%)	(22.2%)
Operating income	10.5%	10.0%	9.4%
Non-operating income	1.4%	3.0%	1.8%
Income tax expense	(1.6%)	(2.5%)	(1.2%)
Net income	10.3%	10.6%	10.0%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	3Q19	2Q19	3Q18 ^(Note2)
Cash & financial assets-current	205,786	215,522	170,509
Accounts receivable	30,450	27,915	32,998
Inventories	31,028	31,096	38,008
Other current assets	10,967	8,343	13,579
Funds and investments	56,446	48,718	49,894
Intangible assets	71,884	72,765	74,093
Other non-current assets	47,330	47,679	43,661
Total assets	453,891	452,039	422,744
Short-term loans	54,701	67,802	63,891
Accounts payable	23,101	20,905	25,277
Other current liabilities	50,719	63,982	55,923
Total non-current liabilities	12,539	10,843	5,737
Total equity	312,830	288,507	271,917

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)	3Q19	2Q19	3Q18
Net cash provided by (used in) operating activities	7,192	14,135	4,100
Net cash provided by (used in) investing activities	2,891	97	3,916
Net cash provided by (used in) financing activities	(27,244)	8,313	(30,906)
Effect of changes in exchange rate on cash and cash equivalents	(928)	37	(531)
Net increase (decrease) in cash and cash equivalents	(18,089)	22,582	(23,421)
Cash and cash equivalents at the end of the period	155,972	174,061	147,951

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

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

(In NT\$ millions)	3Q19	2Q19	3Q18 ^(Note2)	Q-Q	Y-Y
TIFRS operating income	7,029	6,143	6,310		
TIFRS net income	6,902	6,503	6,733		
TIFRS EPS(NT\$)	4.38	4.11	4.30		
Non-TIFRS reconciliation items	1,140	682	545		
Share-based compensation	934	394	268		
Amortization of acquisition related assets	420	420	387		
Tax effect	(214)	(133)	(110)		
Non-TIFRS operating income	8,383	6,958	6,965	20.5%	20.4%
Non-TIFRS operating income margin (%)	12.5%	11.3%	10.4%		
Non-TIFRS net income	8,043	7,184	7,279	11.9%	10.5%
Non-TIFRS net income margin (%)	12.0%	11.7%	10.9%		
Non-TIFRS EPS(NT\$)	5.11	4.54	4.65		

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