



O2Micro Reports Third Quarter 2017 Financial Results

November 1, 2017

Operational and Strategic Highlights:

- Q3 2017 results were within the range of guidance provided in August 2017.
- GAAP Net Loss per ADS in the third quarter of 2017 was 5 cents, with non-GAAP Net Loss of 4 cents per ADS.
- Revenue in the fourth quarter of 2017 is expected to range between -5% and +5% compared to Q3 2017.
- Continued strong design activities in Q3 2017, which is expected to remain robust into Q4.

GEORGE TOWN, Grand Cayman, Nov. 01, 2017 (GLOBE NEWSWIRE) -- O2Micro® International Limited (NASDAQ:OIIM), a global leader in the design, development and marketing of high-performance integrated circuits and solutions, reported its financial results today for the third quarter ending September 30, 2017.

Financial Highlights for the Third Quarter ending September 30, 2017:

O2Micro International Limited ("Company") reported Q3 2017 revenue of \$15.5 million. Revenue was up 6.9% sequentially, and up 7.4% from the same quarter in the previous year. The gross margin in the third quarter of 2017 was 50.3%, which was down from 50.9% in the prior quarter, and down from 52.6% in the third quarter of 2016. The gross margin remains in our target range and varies primarily with the quarterly revenue and product mix. During the third quarter of 2017, the Company recorded total GAAP operating expenses of \$9.5 million, compared to \$8.9 million in the second quarter of 2017, and \$8.7 million in the year-ago Q3 period. The GAAP operating margins for the third quarter of 2017, the second quarter of 2017, and third quarter of 2016 were (11.1%), (10.7%), and (7.6%), respectively.

GAAP net loss was \$1.4 million in Q3 2017. This compares to a GAAP net loss of \$1.4 million in the second quarter of 2017 and a GAAP net income of \$1.3 million in Q3 2016. GAAP net loss per fully diluted ADS was \$0.05 in Q3 2017. This compares to a GAAP net loss per fully diluted ADS of \$0.06 in Q2 2017 and a GAAP net income per fully diluted ADS of \$0.05 in Q3 2016.

Supplementary Data:

The Company ended the third quarter of 2017 with \$46.2 million in unrestricted cash and short-term investments or \$1.80 per outstanding ADS. The accounts receivable balance was \$9.0 million and represented 52 days sales outstanding at the end of Q3 2017. Inventory was \$10.5 million or 120 days and turned over 3 times during Q3 2017. As of September 30, 2017, the Company had \$58.3 million in working capital and the book value was \$77.8 million, or \$3.03 per outstanding ADS. As of September 30, 2017, O2Micro International Limited had a total of 362 employees worldwide, including 217 engineers.

Management Commentary:

"Our fourth quarter of 2017 revenue guidance reflects continuing design activities in the growth drivers of the consumer and industrial markets. We are pleased to our customer acceptance to our technology including high end backlighting for the TV, power tools, household appliances, and automotive, despite the current dynamic consumer market." said Sterling Du, O2Micro's Chairman and CEO. "We believe our solutions for these product segments will continue to contribute to our top-line growth in upcoming quarters and lead O2Micro back to long term profitability."

Conference Call:

O2Micro will hold its third quarter conference call today, November 1, 2017, at 6:00AM, Pacific, 9:00AM Eastern. You may participate using the following dial-in information.

Conference ID: 3672490

Participants, Int'l Toll: 334-323-0522

Participants, US/CAN Toll free: 877-260-1479

The Call-in Audio Replay will be available from November 1, 2017 12:00 Eastern Time (US & Canada) (UTC-05:00) through November 8th, 2017 12:00 Eastern Time (US & Canada) (UTC-05:00).

<https://event.mymeetingroom.com/Public/WebRegistration/Y29uZmV5ZW5jZUIkPTgxNDMzMDQmdHlwZT1yZXBsYXkmbGFuZ3VhZ2U9ZW5nbGlzaA==>

A live webcast will also be available on the Company's website at <http://ir.o2micro.com>, and an online replay will be available on the website for one week.

About O2Micro:

Founded in April 1995, O2Micro develops and markets innovative power management components for the Computer, Consumer, Industrial, Automotive and Communications markets. Products include LED General Lighting, Backlighting, Battery Management, and Power Management. The Company maintains offices worldwide. Additional Company and product information can be found on the Company website at www.o2micro.com.

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Statements made in this release that are not historical, including statements regarding O2Micro or its management's intentions, hopes, beliefs, expectations, representations, projections, plans or predictions of the future, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal Securities Laws. Such statements involve risks, speculation and uncertainties that may cause actual results to differ materially from those set forth in these statements or from management's current views and expectations. Risks and uncertainties in this release may include, without limitation, any one or combination of the following: the effect of competitive and economic factors; real property value fluctuations and market demand; legal changes in any relevant rules and regulations pertaining to O2Micro's business; changes in technology and industry standards, and O2Micro's reaction to those factors; consumer and business buying decisions with respect to our customers' products incorporating O2Micro's products; continued competitive pressures in the marketplace; the ability of O2Micro to deliver to the marketplace, and stimulate customer demand therein, for new products and technological innovations on a timely basis; the effect that product introductions and transitions, changes in product pricing or mix, and/or increases in component costs could have on O2Micro's gross margins;

the inventory risk associated with O2Micro's need to order, or commit to order, product components and product capacity in advance of forecast customer orders; the continued availability of acceptable terms of certain components and services essential to O2Micro's business which are currently obtained by the Company from sole or limited sources; the effect that O2Micro's dependency on manufacturing and logistics services provided by third parties may have on the quality, quantity, availability or cost of products manufactured or services rendered; risks associated with O2Micro's international operations; the potential impact of a finding that O2Micro has infringed on the intellectual property rights of others, or that any third party may have infringed on O2Micro's intellectual property that may negatively affect O2Micro's business; O2Micro's legal classifications with governmental and regulatory agencies; O2Micro's dependency on the performance of distributors, carriers, independent sales representatives, and other resellers of O2Micro's products; the effect that product and service quality problems could have on O2Micro's sales ability and operating profits; the ability of O2Micro to deliver its products in a timely fashion to its customers, and the possible negative ramifications if such is not possible; the continued service and availability of key executives and employees; war, terrorism, public health issues, natural disasters, and other circumstances that could disrupt supply, delivery, or demand of products; and unfavorable results of other legal proceedings. Actual results may differ materially due to numerous risk factors. Such risk factors are more fully enumerated in O2Micro's 20-F Annual Filings, Annual Report(s), 6-K's, the Form F-1 filed in connection with the Company's initial public offering in August 2000, information posted on our website at www.o2micro.com, and other documents filed with the SEC, NASDAQ or any other public agency from time to time. The statements herein are based on dated information on the dates mentioned herein, which is subject to change. O2Micro assumes no obligation to update or revise the information provided on today, or any other forward-looking information, whether as a result of new information, future events or any other information that may arise. This information only speaks to the respective dates mentioned in said information.

O₂MICRO INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

(In Thousand U.S. Dollars, Except Per Share Amounts)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| NET SALES | \$ 15,520 | \$ 14,445 | \$ 44,988 | \$ 40,652 |
| COST OF SALES | 7,707 | 6,847 | 21,901 | 20,015 |
| GROSS PROFIT | 7,813 | 7,598 | 23,087 | 20,637 |
| OPERATING EXPENSES | | | | |
| Research and development (1) | 4,662 | 3,960 | 13,215 | 11,527 |
| Selling, general and administrative (1) | 4,880 | 4,741 | 14,374 | 14,615 |
| Litigation income | - | - | (19) | (23) |
| Total Operating Expenses | 9,542 | 8,701 | 27,570 | 26,119 |
| LOSS FROM OPERATIONS | (1,729) | (1,103) | (4,483) | (5,482) |
| NON-OPERATING INCOME | | | | |
| Interest income | 88 | 71 | 257 | 224 |
| Foreign exchange gain (loss) – net | 296 | 203 | 137 | (304) |
| Gain on sale of real estates | - | 1,725 | - | 1,725 |
| Gain on sale of long-term investments | - | 523 | 20 | 936 |
| Other – net | 199 | 195 | 484 | 623 |
| Total Non-operating Income | 583 | 2,717 | 898 | 3,204 |
| (LOSS) INCOME BEFORE INCOME TAX | (1,146) | 1,614 | (3,585) | (2,278) |
| INCOME TAX EXPENSE | 229 | 282 | 681 | 720 |
| NET (LOSS) INCOME | (1,375) | 1,332 | (4,266) | (2,998) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Foreign currency translation adjustments | (128) | (65) | 665 | 508 |
| Unrealized gain (loss) on available-for-sale securities | - | (530) | (1) | 1 |
| Unrealized pension gain | - | 1 | 2 | 1 |
| Total Other Comprehensive (Loss) Gain | (128) | (594) | 666 | 510 |
| COMPREHENSIVE (LOSS) INCOME | \$ (1,503) | \$ 738 | \$ (3,600) | \$ (2,488) |

EARNINGS (LOSS) PER ADS

| | | | | | | | | |
|---------|----|---------|----|------|----|---------|----|---------|
| Basic | \$ | (0.05) | \$ | 0.05 | \$ | (0.17) | \$ | (0.12) |
| Diluted | \$ | (0.05) | \$ | 0.05 | \$ | (0.17) | \$ | (0.12) |

ADS UNITS USED IN EARNINGS (LOSS) PER ADS
CALCULATION:

| | | | | |
|------------------------|--------|--------|--------|--------|
| Basic (in thousands) | 25,718 | 25,608 | 25,807 | 25,660 |
| Diluted (in thousands) | 25,718 | 25,880 | 25,807 | 25,660 |

(1) INCLUDES STOCK-BASED COMPENSATION
CHARGE AS FOLLOWS:

| | | | | | | | | |
|-------------------------------------|----|-----|----|-----|----|-------|----|-------|
| Research and development | \$ | 54 | \$ | 54 | \$ | 168 | \$ | 179 |
| Selling, general and administrative | \$ | 336 | \$ | 322 | \$ | 1,033 | \$ | 1,055 |

O₂MICRO INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousand U.S. Dollars, Except Share Amounts)

| | September 30, | December 31, |
|--|----------------------|---------------------|
| | 2017 | 2016 |
| | (Unaudited) | (Audited) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 25,176 | \$ 31,332 |
| Restricted cash | 34 | 32 |
| Short-term investments | 21,000 | 21,532 |
| Accounts receivable – net | 8,966 | 7,205 |
| Inventories | 10,539 | 9,275 |
| Prepaid expenses and other current assets | 1,382 | 1,106 |
| Total Current Assets | 67,097 | 70,482 |
| LONG-TERM INVESTMENTS | 4,245 | 4,253 |
| PROPERTY AND EQUIPMENT – NET | 13,880 | 13,736 |
| OTHER ASSETS | 2,552 | 2,218 |
| TOTAL ASSETS | \$ 87,774 | \$ 90,689 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Notes and accounts payable | \$ 4,031 | \$ 4,329 |
| Income tax payable | 371 | 180 |
| Accrued expenses and other current liabilities | 4,346 | 4,102 |
| Total Current Liabilities | 8,748 | 8,611 |
| OTHER LONG-TERM LIABILITIES | | |
| Accrued pension liabilities | 289 | 281 |
| Deferred income tax liabilities | 826 | 930 |
| Other liabilities | 86 | 83 |
| Total Other Long-Term Liabilities | 1,201 | 1,294 |

| | | | |
|---|---------|--------|---------|
| Total Liabilities | 9,949 | | 9,905 |
| COMMITMENTS AND CONTINGENCIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Preference shares at \$0.00002 par value per share | | | |
| Authorized – 250,000,000 shares | - | | - |
| Ordinary shares at \$0.00002 par value per share | | | |
| Authorized – 4,750,000,000 shares | | | |
| Issued – 1,669,036,600 shares as of September 30, 2017 and December 31, 2016, respectively | | | |
| Outstanding – 1,284,498,300 and 1,279,124,900 shares as of September 30, 2017 and December 31, 2016, respectively | 33 | | 33 |
| Additional paid-in capital | 142,621 | | 142,738 |
| Accumulated deficits | (45,638 |) | (41,372 |
| Accumulated other comprehensive income | 5,081 | | 4,415 |
| Treasury stock – 384,538,300 and 389,911,700 shares as of September 30, 2017 and December 31, 2016, respectively | (24,272 |) | (25,030 |
| Total Shareholders' Equity | 77,825 | | 80,784 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ | 87,774 | \$ |
| | | | 90,689 |

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Source: O2Micro, Inc.