

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 March 31,	
	2018	2017
NET SALES	\$ 14,108	\$ 14,954
COST OF SALES	6,886	7,067
GROSS PROFIT	7,222	7,887
OPERATING EXPENSES		
Research and development (1)	4,806	4,052
Selling, general and administrative (1)	4,964	5,054
Litigation Income	-	(19)
Total Operating Expenses	9,770	9,087
LOSS FROM OPERATIONS	(2,548)	(1,200)
NON-OPERATING INCOME		
Interest income	97	79
Unrealized fair value gain on long-term investments	9,774	-
Foreign exchange loss – net	(157)	(216)
Other – net	267	102
Total Non-operating (Loss) Income	9,981	(35)
INCOME (LOSS) BEFORE INCOME TAX	7,433	(1,235)
INCOME TAX EXPENSE	265	222
NET INCOME (LOSS)	7,168	(1,457)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	675	721
Unrealized gain on available-for-sale securities	-	(1)
Unrealized pension gain	2	1
Total Other Comprehensive Income	677	721
COMPREHENSIVE INCOME (LOSS)	\$ 7,845	\$ (736)
EARNINGS (LOSS) PER ADS		
Basic	\$ 0.28	\$ (0.06)
Diluted	\$ 0.27	\$ (0.06)
ADS UNITS USED IN EARNINGS (LOSS) PER ADS CALCULATION:		
Basic (in thousands)	25,977	25,840
Diluted (in thousands)	26,477	25,840

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

Research and development	\$	62	\$	60
Selling, general and administrative	\$	302	\$	372

O₂MICRO INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,417	\$ 28,520
Restricted cash	36	35
Short-term investments	19,695	17,601
Accounts receivable – net	8,043	9,184
Inventories	9,662	9,330
Prepaid expenses and other current assets	1,685	1,245
Total Current Assets	64,538	65,915
LONG-TERM INVESTMENTS	12,849	3,112
PROPERTY AND EQUIPMENT – NET	13,751	13,755
OTHER ASSETS	2,232	2,300
TOTAL ASSETS	\$ 93,370	\$ 85,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes and accounts payable	\$ 3,290	\$ 2,460
Income tax payable	292	341
Accrued expenses and other current liabilities	3,761	4,379
Total Current Liabilities	7,343	7,180
OTHER LONG-TERM LIABILITIES		
Accrued pension liabilities	358	355
Deferred income tax liabilities	1,012	906
Other liabilities	88	86
Total Other Long-Term Liabilities	1,458	1,347
Total Liabilities	8,801	8,527
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 March 31, 2018 and December 31, 2017		
Outstanding – 1,301,657,500 and 1,284,146,100 shares as of March 31, 2018 and December 31, 2017, respectively	33	33
Additional paid-in capital	142,128	142,946
Accumulated deficits	(40,702)	(47,517)
Accumulated other comprehensive income	6,014	5,337
Treasury stock – 367,379,100 and 384,890,500 shares as of March 31, 2018 and December 31, 2017, respectively	(22,904)	(24,244)

Total Shareholders' Equity	84,569	76,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 93,370	\$ 85,082

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[Primary Logo](#)

Source: O2Micro, Inc.