

CONTACT

Liz Lee

Investor Relations
eMemory Technology Inc.
liz@ememory.com.tw
+886-3-5601168

8F, No. 5, Tai-Yuan 1st St.,
Jhubei City, Hsinchu County
30265, Taiwan.

ir@ememory.com.tw
www.ememory.com.tw

Outlines

- Financial Highlights
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- Consolidated Statements of Comprehensive Income

(Amounts are on consolidated basis and are in NT\$ thousands unless otherwise noted)

	<u>2Q14</u>	<u>1Q14</u>	<u>2Q13</u>	<u>QoQ</u>	<u>YoY</u>
EPS(NT\$ per common share)	1.09	1.46	1.01	-25.34%	7.92%
Net Revenue	224,929	246,060	207,440	-8.59%	8.43%
Gross Profit	224,929	246,060	207,440	-8.59%	8.43%
<i>Gross Margin</i>	100.0%	100.0%	100.0%		
Operating Expenses	129,406	126,719	118,807	2.12%	8.92%
Operating Income	95,523	119,341	88,633	-19.96%	7.77%
<i>Operating Margin</i>	42.5%	48.5%	42.7%		
Non-Operating Income and Expenses	(1,078)	6,169	3,647	-117.47%	-129.56%
Net Income	82,385	110,936	75,613	-25.74%	8.96%
<i>Net Profit Margin</i>	36.6%	45.1%	36.5%		

Financial Highlights:

2Q 2014

- Net revenues of 2Q14 were NT\$224.93 million, representing a 8.59% decrease from NT\$246.06 million in 1Q14 and a 8.43% increase from NT\$207.44 million in 2Q13.
- Net revenues of 1H14 were NT\$470.99 million, reflecting a 26.49% increase from NT\$372.35 million in 1H2013.
- Gross margin of 2Q14 was 100.0% equal to 1Q14 and 2Q13.
- Operating margin of 2Q14 was 42.5%, down 6.0 percentage points from 1Q14. Operating margin of 1H14 was 45.6%, up 6.5 percentage points from 1H13.
- Net income of 2Q14 was NT\$82.39 million, down 25.74% from 1Q14. Net income of 1H14 was NT\$193.32 million, up 51.36% from 1H13.
- Net profit margin of 2Q14 was 36.6%. EPS was NT\$1.09.

I. Revenue Analysis

I. Revenue Analysis			
(NT\$ thousands)	2Q14	1Q13	2Q13
Licensing	57,198	75,045	80,948
Royalty	167,731	171,015	126,492
Total	224,929	246,060	207,440

Revenue Analysis:

The revenues for 2Q14 totaled NT\$224.93 million, representing a decrease of 8.59% compared to 1Q14 and an increase of 8.43% over the same period of last year.

The licensing revenues this quarter were NT\$57.20 million, representing a 23.78% decrease compared to 1Q14 and a decrease of 29.34% over the same period of last year. Due to technology licensing project scheduling, the majority of technology license revenue will be recognized in the 2nd half of the year. The number of new tape outs was also influenced by foundry capacity tightness.

The royalty revenues in 2Q14 totaled NT\$167.73 million, representing a slight decrease of 1.92% compared to 1Q14, and an increase of 32.60% over the same period of last year. For royalty, the income was contributed primarily by the rising demand of LCD driver ICs, power management ICs, sensor ICs and microcontrollers.

Looking towards the 2nd half of the year, royalty revenues will benefit from the release of new smart phone models containing an increasing number of eMemory IP, and our IP penetration into IOT (internet of things) application chips will also continue to expand.

II. Liquidity Analysis

II - Liquidity Analysis (Balance Sheet Items)

(In NT\$ thousands)	<u>2Q14</u>	<u>1Q14</u>	<u>2Q13</u>
Cash & Marketable Securities	1,378,831	1,280,822	1,099,744
Accounts Receivable	56,687	67,394	48,288
Inventories	0	0	0
Other Current Assets	21,287	16,617	16,383
Total Current Assets	1,456,805	1,364,833	1,164,415
Short-term Loans	0	0	0
Accounts Payable	0	0	0
Accrued Liabilities and Others	486,196	175,582	324,829
Total Current Liabilities	486,196	175,582	324,829
Current Ratio (x)	3.0	7.8	3.6
Net Working Capital	970,609	1,189,251	839,586

III. Cash Flow Analysis

III. Cash Flow Analysis

(In NT\$ thousands)	<u>2Q14</u>	<u>2Q13</u>
Income before Income Tax	219,955	149,776
Depreciation & Amortization	19,098	19,764
Other Operating Sources/(Uses)	(24,083)	(14,602)
Total Operating Sources/(Uses)	<u>214,970</u>	<u>154,938</u>
Capital Expenditure	(17,481)	(12,131)
Marketable Financial Instruments	(47,210)	(19,985)
Other Investing Sources/(Uses)	5,753	1,438
Net Investing Sources/(Uses)	<u>(58,938)</u>	<u>(30,678)</u>
Short-term Loans	0	0
Cash Dividends	0	0
Other Financing Sources/(Uses)	18	(31,074)
Net Financing Sources/(Uses)	<u>18</u>	<u>(31,074)</u>
Exchange Rate Changes	<u>(730)</u>	<u>1,691</u>
Net Cash Position Changes	155,320	94,877
Ending Cash Balance	1,363,707	1,079,744

Liquidity Analysis:

At the end of 2Q14, cash and marketable securities totaled NT\$1,378.83 million, increased by NT\$98.00 million from 1Q14.

Total current liabilities was NT\$486.20 million, increased by NT\$310.61 million from 1Q14.

Net working capital was NT\$970.61 million and current ratio was 3.0x.

Cash Flow Analysis:

Cash generated from operating activities totaled NT\$214.97 million at the end of 2Q14, representing an increase of NT\$60.03 million from 1Q14.

Net cash used in investing activities was NT\$58.94 million, NT\$28.26 million higher than that in 2Q13.

At the end of 2Q14, eMemory's cash balance was NT\$1,363.71 million.

Consolidated Statements of Comprehensive Income:

Consolidated Statements of Comprehensive Income						
(In NT\$ thousands, except EPS in NT\$)	<u>2Q2014</u>	<u>2Q2013</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net revenue	224,929	207,440	808,258	611,235	644,071	843,167
Gross profit	224,929	207,440	808,258	610,540	520,496	628,099
Operating expenses	129,406	118,807	468,574	397,084	357,302	391,146
Operating income	95,523	88,633	339,684	213,456	163,194	236,953
Non-operating income and expenses	(1,078)	3,647	2,474	(19,386)	17,636	2,284
Net income from continuing operations before tax	94,445	92,280	342,158	194,070	180,830	239,237
Tax expense	12,060	16,667	51,518	31,147	27,701	12,709
Net income	82,385	75,613	290,640	162,923	153,129	226,528
Comprehensive income	82,392	75,613	292,536	167,567	N/A	N/A
Net income (loss), attributable to owners of parent	82,385	75,613	290,640	162,923	153,129	226,528
Net income (loss), attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income, attributable to owners of parent	82,392	75,613	292,536	167,567	N/A	N/A
Comprehensive income, attributable to non-controlling interests	0	0	0	0	0	0
Basic earnings per share	1.09	1.01	3.87	2.15	2.03	3.48

* Note 1. After adopting IFRSs: 2013, 2012

* Note 2. Before adopting IFRSs: 2011, 2010

* Note 3. Since August 2011, eMemory has been focused on embedded non-volatile memory (eNVM) silicon intellectual property (SIP) license business. From 2013, eMemory sales activities do not consist of turnkey service.