



eMemory Technology Inc. Reports Results for the Second Quarter 2015

Hsinchu, Taiwan, 13 August 2015 – eMemory Technology Inc. (Stock code: 3529) announces financial results for the second quarter of 2015, ended 30 June.

Q2 2015 - Financial Summary (Unit: NT\$ thousands)	Q2 2015	Q1 2015	% change	Q2 2014	% change
Net revenue	280,325	258,602	8.40%	224,929	24.63%
Gross margin	100%	100%	-	100%	-
Operating expenses	141,435	128,976	9.66%	129,406	9.30%
Operating margin	49.5%	50.1%	-0.6ppts	42.5%	+7.0ppts
Net income	130,297	114,423	13.87%	82,385	58.16%
Net margin	46.5%	44.2%	+2.3ppts	36.6%	9.9ppts
EPS (NT\$ per common share)	1.72	1.51	13.91%	1.09	57.80%

Q2 2015 Financial Summary

- Net revenue was up 24.63% as compared to Q2 2014
- Operating expenses were up 9.30% year-on-year
- Net income was up 58.16% from Q2 2014
- Net margin was up 9.9ppts year-on-year
- EPS was up 57.80% year-on-year

Progress on key growth drivers in Q2 2015

- Growth in technology licensing
 - 8 technology licenses signed with 4 customers in Q2 2015. Currently developing 80 process platforms covering technologies from 0.25um to 16nm
- Growth in design licensing
 - 104 design licenses were signed in Q2 2015 for a diverse range of applications, including DDI, PMIC, MCU, and sensor-related products
 - By the end of Q2 2015, the number of design licenses signed totaled 2,962

Outlook

Looking forward to the second half of the year, although the macroeconomic uncertainty has resulted in the slower end-market demand, we will continue to see growth momentum from the new technology licenses development. There will have 1 to 2 big licenses engagement in the second half of 2015. As the contribution from advanced nodes, we observe that the e-fuse replacement by our OTP technology is accelerated, particularly in the advanced processing nodes due to security requirement and yield issue.

Management remarks

As in previous years, revenue will be weighted towards the second half of the year. We are pleased to see continuing contributions from 12-inch royalty revenues. For licensing fees, the licensing opportunities will remain healthy for the rest of the year owing to over 80 ongoing projects and the proliferation of new technology platforms. Given the increasing



penetration of 12-inch wafer technology and adoption of our NeoFuse for the replacement of e-fuse, we believe that eMemory can remain in multi-year growth trend.

Financial review

Q2 2015 – Revenue Breakdown (Unit: NT\$ thousands)	Q2 2015	Q1 2015	% Change	Q2 2014	% Change
Licensing	95,982	64,056	49.84%	57,198	67.81%
Royalty	184,343	194,546	-5.24%	167,731	9.90%
Total	280,325	258,602	8.40%	224,929	24.63%

Total revenues

Total revenues in Q2 2015 were NT\$ 280.33 million, up 24.63% versus Q2 2014.

Licensing revenues

Licensing revenues in Q2 2015 increased by 67.81% year-on-year to NT\$95.98 million, representing 34.24% of Q2 revenue. The main reason for the increase was one large licensing fee being recognized in Q2 2015.

Royalty revenues

Royalty revenues in Q2 2015 were up 9.90% year-on-year to NT\$184.34 million, representing 65.76% of Q2 revenue.

Gross margin

Gross margin in Q2 2015 was 100%, equal to that of Q2 2014.

Operating expenses and operating margin

Operating expenses in Q2 2015 increased by 9.30% year-on-year to NT\$141.44 million. The increase in Q2 operating expenses was primarily due to annual salary adjustment and higher bonus provision due to higher profit.

The operating margin in Q2 2015 was 49.5%, up 7.0ppts on Q2 2014.

Earnings and income tax expenses

Net income in Q2 2015 increased by 58.16% year-on-year to NT\$130.30 million.

Income tax expenses in Q2 2015 were NT\$ 16.90 million, up 40.15% from Q2 2014.

In Q2 2015, earnings per share were NT\$1.72, up 57.80% from Q2 2014.

Balance sheet

At the end of Q2 2015, cash and marketable securities totaled NT\$1,561.05 million, an increase of NT\$182.22 million from Q2 2014.



Total current liabilities were NT\$674.36 million, an increase of NT\$187.98 million from Q2 2014. This increase was mainly due to bonus provisions and dividends payable.

Net working capital was NT\$1,002.41 million, an increase of NT\$31.98 million from Q2 2014.

Cash flow

Cash generated from operating activities in Q2 2015 increased by NT\$33.09 million from Q2 2014 to NT\$248.06 million.

Net cash used in investment activities in Q2 2015 was NT\$8.38 million, decreasing by NT\$50.55 million from Q2 2014. The decrease was mainly due to the investment in time deposits with original maturity more than 1 year in Q2 2014.

At the end of Q2 2015, eMemory's cash balance was NT\$1,561.05million, an increase of NT\$197.34 million on Q2 2014.

Licensing

In Q2 2015, 8 technology licenses were signed with 4 customers. Currently, 80 process platforms are under development spanning from 0.25um to 16nm, reflecting the ongoing demand for eMemory's technology. These technology licenses are summarized below.

- Progress in advanced nodes:
 - 27 process platforms were ready for production
 - 31 process platforms were under development
- Progress in legacy nodes:
 - 49 process platforms were under development

We supported 104 customer product tape-outs for design licensing in Q2 2015. These tape-outs are summarized below.

- 6 tape-outs in 55nm for LCD driver applications
- 3 tape-outs in 80nm for LCD driver applications
- 22 tape-outs in 0.11/0.13um for Network IC, Audio, Motor Driver, LCD driver, MCU, and PMIC applications
- 64 tape-outs in 0.152/0.16//0.18um for PMIC, sensor and MCU applications
- 9 tape-outs in 0.25um for PMIC and Fingerprint sensor applications

Royalties

Our royalties are generated from more than 2,962 design licenses and over 916 verified NVM IPs. We believe royalty revenue will continue to grow. The following are the main contributors to growth of royalty revenue:

- Applications used by major smartphone customers to maintain their momentum
- PMIC customers' expansion into new markets in addition to smartphone continuing to drive growth in the second half and beyond
- LCD Drivers utilizing 55nm continue to ramp up; royalty revenue expected to stay in line with the growth trend in the second half of 2015 owing to mass production of 55nm drivers
- Rising adoption of fingerprint recognition ICs and CIS expected to keep growth momentum of royalty revenue in the second half of 2015 and beyond



Employees

At the end of June 30, 2015, eMemory has 220 full-time employees, including 150 R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. The expectations reflected in these statements are believed to be reasonable, but they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures of customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Except as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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-Financial Tables to Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2015 (Reviewed)		December 31, 2014 (Restatement and Audited)		June 30, 2014 (Restatement and Reviewed)			June 30, 2015 (Reviewed)		December 31, 2014 (Restatement and Audited)		June 30, 2014 (Restatement and Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,561,051	69	\$1,323,163	67	\$1,363,707	66	Other payables	\$ 66,911	3	\$ 82,006	4	\$ 59,351	3
Current available-for-sale financial assets - net	-	-	-	-	15,124	1	Bonuses payable to employees, directors and supervisors	101,985	4	64,207	3	74,257	3
Accounts receivable - net	88,305	4	49,019	3	56,687	3	Payables on equipment	89	-	8,021	-	3,597	-
Accounts receivable - related parties	-	-	1,325	-	-	-	Dividends payable	454,693	20	-	-	303,129	15
Other receivables	586	-	508	-	538	-	Current tax liabilities	33,091	1	19,792	1	27,101	1
Other receivables - related parties	56	-	105	-	62	-	Other current liabilities	17,588	1	8,147	1	18,940	1
Prepayments	25,390	1	7,363	-	18,860	1	Total current liabilities	674,357	29	182,173	9	486,375	23
Other current assets	1,382	-	748	-	1,827	-	NON-CURRENT LIABILITIES						
Total current assets	1,676,770	74	1,382,231	70	1,456,805	71	Net defined benefit liability - noncurrent	14,669	1	14,669	1	15,721	1
NON-CURRENT ASSETS							Guarantee deposits received	840	-	415	-	423	-
Financial assets measured at cost - noncurrent	16,675	1	16,675	1	17,755	1	Total non-current liabilities	15,509	1	15,084	1	16,144	1
Investments in debt instrument without active market - noncurrent	33,608	1	33,608	2	33,606	2	Total liabilities	689,866	30	197,257	10	502,519	24
Investment accounted for using equity method	9,918	-	3,981	-	10,684	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Property, plant and equipment	494,901	22	503,671	25	504,561	24	Ordinary shares	768,323	34	768,323	39	768,323	37
Intangible assets	38,827	2	37,763	2	33,727	2	Capital surplus	455,370	20	521,569	26	521,583	25
Deferred tax assets	4,084	-	3,135	-	2,873	-	Retained earnings						
Refundable deposits	357	-	1,857	-	1,830	-	Legal reserve	184,051	8	142,194	7	142,194	7
Total non-current assets	598,370	26	600,690	30	605,036	29	Special reserve	926	-	926	-	926	-
							Unappropriated earnings	245,353	11	421,401	21	195,038	10
							Total retained earnings	430,330	19	564,521	28	338,158	17
							Other equity interest	-	-	-	-	7	-
							Treasury shares	(68,749)	(3)	(68,749)	(3)	(68,749)	(3)
							Total equity	1,585,274	70	1,785,664	90	1,559,322	76
TOTAL	\$2,275,140	100	\$1,982,921	100	\$2,061,841	100	TOTAL	\$2,275,140	100	\$1,982,921	100	\$2,061,841	100

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$280,325	100	\$224,929	100	\$538,927	100	\$470,989	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>280,325</u>	<u>100</u>	<u>224,929</u>	<u>100</u>	<u>538,927</u>	<u>100</u>	<u>470,989</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	25,724	9	24,541	11	43,098	8	43,996	9
General and administrative expenses	35,417	12	32,655	15	66,096	12	61,391	13
Research and development expenses	<u>80,294</u>	<u>29</u>	<u>72,210</u>	<u>32</u>	<u>161,217</u>	<u>30</u>	<u>150,738</u>	<u>32</u>
Total operating expenses	<u>141,435</u>	<u>50</u>	<u>129,406</u>	<u>58</u>	<u>270,411</u>	<u>50</u>	<u>256,125</u>	<u>54</u>
OPERATING REVENUE	<u>138,890</u>	<u>50</u>	<u>95,523</u>	<u>42</u>	<u>268,516</u>	<u>50</u>	<u>214,864</u>	<u>46</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	13,095	4	3,915	2	17,026	3	13,305	3
Other gains and losses	(2,624)	(1)	(2,418)	(1)	(5,021)	(1)	(2,423)	(1)
Share of loss of associates	(2,162)	(1)	(2,575)	(1)	(3,646)	(1)	(5,791)	(1)
Total non-operating income and expenses	<u>8,309</u>	<u>2</u>	<u>(1,078)</u>	<u>-</u>	<u>8,359</u>	<u>1</u>	<u>5,091</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	147,199	52	94,445	42	276,875	51	219,955	47
INCOME TAX EXPENSE	<u>16,902</u>	<u>6</u>	<u>12,060</u>	<u>5</u>	<u>32,155</u>	<u>6</u>	<u>26,634</u>	<u>6</u>
NET PROFIT	<u>130,297</u>	<u>46</u>	<u>82,385</u>	<u>37</u>	<u>244,720</u>	<u>45</u>	<u>193,321</u>	<u>41</u>
OTHER COMPREHENSIVE INCOME								
Components of other comprehensive income that will be reclassified to profit or loss								
Unrealized gain from available-for-sale financial assets	-	-	7	-	-	-	7	-
Other comprehensive income for the period	-	-	7	-	-	-	7	-
TOTAL COMPREHENSIVE INCOME	<u>\$130,297</u>	<u>46</u>	<u>\$ 82,392</u>	<u>37</u>	<u>\$244,720</u>	<u>45</u>	<u>\$193,328</u>	<u>41</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$130,297	46	\$ 82,385	37	\$244,720	45	\$193,321	41
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$130,297</u>	<u>46</u>	<u>\$ 82,385</u>	<u>37</u>	<u>\$244,720</u>	<u>45</u>	<u>\$193,321</u>	<u>41</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$130,297	46	\$ 82,392	37	\$244,720	45	\$193,328	41
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$130,297</u>	<u>46</u>	<u>\$ 82,392</u>	<u>37</u>	<u>\$244,720</u>	<u>45</u>	<u>\$193,328</u>	<u>41</u>
EARNINGS PER SHARE								
Basic	<u>\$ 1.72</u>		<u>\$ 1.09</u>		<u>\$ 3.23</u>		<u>\$ 2.55</u>	
Diluted	<u>\$ 1.72</u>		<u>\$ 1.08</u>		<u>\$ 3.22</u>		<u>\$ 2.54</u>	

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Ordinary Shares		Retained Earnings				Other Equity Interest	Treasury Shares	Total Equity	
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings			Unrealized Gain/Loss from Available-for-sale Financial Assets
BALANCE, JANUARY 1, 2014	76,833	\$ 768,323	\$ 556,787	\$ 113,130	\$ 926	\$ 292,536	\$ 406,592	\$ -	(\$ 68,749)	\$1,662,953
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(179)	(179)	-	-	(179)
Equity at beginning of period after adjustments	<u>76,833</u>	<u>768,323</u>	<u>556,787</u>	<u>113,130</u>	<u>926</u>	<u>292,357</u>	<u>406,413</u>	-	(68,749)	<u>1,662,774</u>
Appropriations of 2013 earnings										
Legal reserve	-	-	-	29,064	-	(29,064)	-	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(261,576)	(261,576)	-	-	(261,576)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	6,349	-	-	-	-	-	-	6,349
Issue of cash dividends from capital surplus	-	-	(41,553)	-	-	-	-	-	-	(41,553)
Net profit for the six months ended June 30, 2014	-	-	-	-	-	193,321	193,321	-	-	193,321
Other comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	-	-	7	-	7
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	<u>193,321</u>	<u>193,321</u>	<u>7</u>	-	<u>193,328</u>
BALANCE, JUNE 30, 2014	<u>76,833</u>	<u>\$ 768,323</u>	<u>\$ 521,583</u>	<u>\$ 142,194</u>	<u>\$ 926</u>	<u>\$ 195,038</u>	<u>\$ 338,158</u>	<u>\$ 7</u>	(\$ 68,749)	<u>\$1,559,322</u>
BALANCE, JANUARY 1, 2015	76,833	\$ 768,323	\$ 521,569	\$ 142,194	\$ 926	\$ 421,545	\$ 564,665	\$ -	(\$ 68,749)	\$1,785,808
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(144)	(144)	-	-	(144)
Equity at beginning of period after adjustments	<u>76,833</u>	<u>768,323</u>	<u>521,569</u>	<u>142,194</u>	<u>926</u>	<u>421,401</u>	<u>564,521</u>	-	(68,749)	<u>1,785,664</u>
Appropriations of 2014 earnings										
Legal reserve	-	-	-	41,857	-	(41,857)	-	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(378,911)	(378,911)	-	-	(378,911)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9,583	-	-	-	-	-	-	9,583
Issue of cash dividends from capital surplus	-	-	(75,782)	-	-	-	-	-	-	(75,782)
Net profit for the six months ended June 30, 2015	-	-	-	-	-	244,720	244,720	-	-	244,720
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	<u>244,720</u>	<u>244,720</u>	-	-	<u>244,720</u>
BALANCE, JUNE 30, 2015	<u>76,833</u>	<u>\$ 768,323</u>	<u>\$ 455,370</u>	<u>\$ 184,051</u>	<u>\$ 926</u>	<u>\$ 245,353</u>	<u>\$ 430,330</u>	<u>\$ -</u>	(\$ 68,749)	<u>\$1,585,274</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 276,875	\$ 219,955
Adjustments for:		
Depreciation expenses	13,954	14,393
Amortization expenses	4,280	4,705
Bad debt expense (reversal of bad debt expense) on accounts receivable	(2,849)	2,584
Interest income	(7,452)	(6,672)
Dividend income	(8,629)	(5,753)
Share of loss of associates	3,646	5,791
Loss on disposal of property, plan and equipment	95	-
Gain on disposal of investments	(42)	-
Impairment losses on financial assets	-	1,325
Net loss on foreign currency exchange	3,048	704
Changes in operating assets and liabilities		
Increase in accounts receivable	(37,245)	(23,001)
Decrease in accounts receivable - related parties	1,299	313
Decrease in other receivables - related parties	49	45
Increase in prepayments	(9,409)	(7,289)
Increase in other current assets	(634)	(1,038)
Decrease in other payables	(15,095)	(1,428)
Increase in other current liabilities	9,441	7,645
Increase in bonuses payable to employees, directors and supervisors	<u>37,778</u>	<u>29,792</u>
Cash generated from operations	269,110	242,071
Interest received	7,354	6,612
Income tax paid	(<u>28,403</u>)	(<u>33,713</u>)
Net cash generated from operating activities	<u>248,061</u>	<u>214,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(127,500)	(15,144)
Proceeds from disposal of available-for-sale financial assets	127,542	-
Acquisition of investments in debt instrument without active market	-	(32,066)
Acquisition of property, plant and equipment	(13,211)	(11,550)
Decrease in refundable deposits	1,500	-
Acquisition of intangible assets	(5,344)	(5,931)
Dividend received	<u>8,629</u>	<u>5,753</u>
Net cash used in investing activities	(<u>8,384</u>)	(<u>58,938</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	<u>425</u>	<u>18</u>
Net cash generated in financing activities	<u>425</u>	<u>18</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	(<u>2,214</u>)	(<u>730</u>)
NET INCREASE IN CASH	237,888	155,320
CASH AT THE BEGINNING OF THE PERIOD	<u>1,323,163</u>	<u>1,208,387</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,561,051</u>	<u>\$ 1,363,707</u>

Notice to Readers

The above consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the previously mentioned consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. For the complete consolidated financial statements in Chinese version, please refer to MOPS: <http://mops.twse.com.tw/mops/web/index>