



## **eMemory Technology Inc. Reports Results for the Fourth Quarter and Full-Year 2014**

Hsinchu, Taiwan, 22 April 2015 – eMemory announces its financial results for the fourth quarter and full-year ended 31 December 2014.

Q4 2014 - Financial Summary (Unit: NT\$ thousands)	Q4 2014	Q4 2013	% Change
Net revenue	258,159	230,554	11.97%
Gross margin	100%	100%	-
Operating expenses	148,501	124,761	19.03%
Operating margin	42.5%	45.9%	-3.4ppts
Net income	100,896	91,268	10.55%
Net margin	39.1%	39.6%	-0.5ppts
EPS (NT\$ per common share)	1.33	1.21	9.92%

FY 2014 - Financial Summary (Unit: NT\$ thousands)	FY 2014	FY 2013	% Change
Net revenue	1,003,977	808,258	24.21%
Gross margin	100%	100%	-
Operating expenses	540,321	468,574	15.31%
Operating margin	46.2%	42.0%	+4.2ppts
Net income	418,569	290,640	44.02%
Net margin	41.7%	36.0%	+5.7ppts
EPS (NT\$ per common share)	5.52	3.87	42.64%

### **Q4 and full-year 2014 Financial Highlights**

- Revenue in Q4 2014 was up 11.97% over Q4 2013. Full-year revenue was up 24.21% year-on-year.
- Operating expenses in Q4 2014 were up 19.03% compared to Q4 2013. Full-year operating expenses were up 15.31% year-on-year.
- Net income in Q4 2014 was up 10.55%. Full-year net income was up 44.02% year-on-year.
- Net margin in Q4 2014 was down 0.5ppts. Full-year net margin was up 5.7ppts year-on-year.
- EPS in Q4 2014 was up 9.92% over the same period of last year. Full-year EPS was up 42.64% year-on-year.

### **Progress on key growth drivers in 2014**

- Growth in technology licensing
  - 21 technology licenses signed with 12 customers in 2014. Within these licenses, 81 process platforms are currently being developed, which covering from 0.25um to 16nm.
- Growth in design licensing
  - 445 design licenses in 2014 for a broad range of applications including DDI, PMIC, MCU, sensor and etc.
  - At the end of 2014, the number of design licenses signed total up to 2,755.



- Growth in wafer production
  - Over 2.69 million embedded eMemory SIP wafers were shipped in 2014. At the end of 2014, over 10 million embedded eMemory SIP wafers were shipped cumulatively.

### Outlook

We are forecasting 2015 to be another year of good growth. Our outlook reflects continued leadership in eNVM business and is driven by accumulated technology and market developments in the past few years.

As technology expands to advance nodes and MTP related, we expect that our license revenue will keep increasing in 2015. Particularly, there are several major licensing cases in discussion, which are expected to deliver fruitful results in the first half of 2015.

For royalty revenue contributions, we anticipate continued growth will be driven by leading-age technologies, cumulative new tape-outs, and new product applications.

### Management remarks

2014 licensing revenues were similar to that of 2013 and 2014 royalty revenues increased by 34.72% year-on-year. With the new platforms developed and new product tape-outs over the past few years, we expect that the revenue will continue to grow with good momentum in 2015. Looking forward, we will continue to broaden our IP portfolio to fulfill customers' ongoing demands.

### Financial review

Q4 2014 – Revenue Breakdown (Unit: NT\$ thousands)	Q4 2014	Q4 2013	% Change
Licensing	51,849	56,933	-8.93%
Royalty	206,310	173,621	18.83%
Total	258,159	230,554	11.97%

FY 2014 – Revenue Breakdown (Unit: NT\$ thousands)	2014	2013	% Change
Licensing	246,073	245,688	0.16%
Royalty	757,904	562,570	34.72%
Total	1,003,977	808,258	24.21%

### Total revenues

Total revenues in Q4 2014 were NT\$ 258.16 million, up 11.97% versus Q4 2013.

Full-year 2014 revenues amounted to NT\$1,003.98 million, up 24.21% on full-year 2013.



### **Licensing revenues**

Licensing revenues in Q4 2014 decreased by 8.93% year-on-year to NT\$51.85 million, representing 20.08% of Q4 revenue. Licensing revenues was negatively impacted by high foundry capacity utilization, causing delay to the schedules of several technology development projects. However, as there are currently over 80 technology platform licensing projects under development, the decline in licensing revenues is assumed to be temporary.

Full-year 2014 licensing revenues amounted to NT\$ 246.07 million, up 0.16% versus 2013.

### **Royalty revenues**

Royalty revenues in Q4 2014 were up 18.83% year-on-year to NT\$206.31 million, representing 79.92% of Q4 revenue.

FY 2014 royalty revenues were NT\$757.90 million, up 34.72% year-on-year.

### **Gross margin**

Gross margin in Q4 2014 was 100% equal to in Q4 2013.

### **Operating expenses and operating margin**

Operating expenses in Q4 2014 increased by 19.03% year-on-year to NT\$148.50 million. The increase of Q4 operating expense was primarily due to higher bonus provisions. FY 2014 operating expenses were NT\$540.32 million, up 15.31% on full-year 2013.

Operating margin in Q4 2014 was 42.50%, down 3.4ppts versus Q4 2013. Full-year operating margin was 46.20%, up 4.2ppts from 2013.

### **Earnings and income tax expense**

Net income in Q4 2014 increased by 10.50% year-on-year to NT\$100.90 million. FY 2014 net income was NT\$418.57 million, up 44.00% compared to 2013.

Income tax expense in Q4 2014 was NT\$ 14.66 million, down 10.30% from Q4 2013. Full-year 2014 income tax expense totaled NT\$57.93 million, up 12.45% from 2013.

In Q4 2014, earnings per share were NT\$1.33, up 9.92% from Q4 2013. FY 2014 earnings per share were NT\$5.52, up 42.64% from NT\$3.87 in 2013.

### **Balance sheet**

At the end of 2014, cash and marketable securities totaled NT\$1,323.16 million, increased by NT\$114.78 million from 2013.

Total current liabilities were NT\$182.03 million, increased by NT\$32.67 million from 2013. The increase was mainly due to higher bonus provisions.

Net working capital was NT\$1,200.20 million, increased by NT\$95.97 million compared to 2013.



## **Cash flow and dividend**

On a full-year basis, cash generated from operating activities increased by NT\$66.54 million to NT\$473.60 million in 2014.

Net cash used in investing activities was NT\$60.01 million, increased by NT\$40.76 million compared to 2013, primarily attributed to the increase of investments in debt securities and the acquisition of property, plant and equipment.

Net cash used in financing activities increased NT\$137.49 million to NT\$303.12 million. The increase was mainly due to the payment of cash dividends.

At the end of 2014, eMemory's cash balance was NT\$1,323.16 million, increased by NT\$114.78 million compared to 2013.

The Board of Directors recommended payment of a total dividend in respect of 2014 of NT\$6.0 per share (including dividends from retained earnings and dividends from capital surplus), an increase of 50% compared to 2013. The final dividend will be subject to shareholder approval on the date of 9 June 2015.

## **Licensing**

In 2014, 21 technology licenses were signed with 12 customers. Within these licenses, we are currently developing 81 process platforms which covering from 0.25um to 16nm, reflecting the ongoing demand for eMemory's technology. For licensing, due to our expansion to advanced nodes and MTP's development, we expect the company's development activities and revenue will both continue to grow. These technology licenses are summarized as follows:

- Progress in advance nodes:
  - In 16nm process, memory cell was qualified and the first IP will be tapped out in the first half of 2015.
  - In 28nm process, IPs were qualified in two process nodes and two customer tape-outs were delivered among nine developed platforms.
  - In 40nm process, seven platforms are under development and one of them was qualified.
  - In 55nm process, IPs were qualified in seven process nodes and twenty-six customer tape-outs were delivered among nineteen platforms under development.
  - In 90nm process, IPs were qualified in five process nodes and two customer tape-outs were delivered among nine platforms under development.
- Automotive grade technology: we are cooperating with a leading foundry to have logic NVM with high reliability and high yield to achieve automotive grade. Currently, our IP in 0.25um and 0.18um BCD process platforms are qualified for production, and the development in 0.13um BCD process platform is in progress.
- Ultra low power and ultra low voltage IP: due to the growing demand of IoT and wireless RFIC's, we are cooperating with leading partner to develop the ultra low power and ultra low voltage (down to 0.7V) MTP solutions.
- MTP development: developments of MTP technology in 23 process platforms are in progress and ten customer products have been tapped out.



## **Royalty**

eMemory is gaining share in a broad spectrum of applications. The following are the main contributors to royalty revenue:

- The applications which used by major smartphone customers will continue their momentum and expand to wearable devices.
- Our PMIC customers have penetrated into China smartphone market. We expect their production volume to increase and expand to fast charger and wireless charger PMIC related.
- PMIC from Asian baseband makers will continue to ramp up production.
- TDDI and LCD Driver in 55nm start to ramp up. In 2014, we have tapped out 25 IPs for 55nm driver. The average selling price of 55nm wafer is about 4 times of 8" wafer. Royalty revenue is expected to increase significantly in the second half of 2015 due to mass production of 55nm driver.
- Other driving forces include STB, Fingerprint and CIS sensors, which tapped out in the second half of 2014. We expect the abovementioned to start ramp up in the second half of 2015.

## **Employees**

At 31 December 2014, eMemory had 218 full-time employees, an increase of 2.3% compared to 2013. Among them 150 are R&D engineers.

## **Cautionary Statement**

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. It is believed that the expectations reflected in these statements are 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  
DECEMBER 31, 2014 AND 2013  
(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2014		December 31, 2013		LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash	\$ 1,323,163	67	\$ 1,208,387	66	Other payables	\$ 81,862	4	\$ 60,599	3
Accounts receivable - net	49,019	3	36,238	2	Bonuses payable to employees, directors and supervisors	64,207	3	44,465	2
Accounts receivable - related parties	1,325	-	313	-	Payables on equipment	8,021	-	3,617	-
Other receivables	508	-	1,355	-	Current tax liabilities	19,792	1	29,379	2
Other receivables - related parties	105	-	107	-	Other current liabilities	8,147	1	11,295	1
Prepayments	7,363	-	6,400	-	Total current liabilities	182,029	9	149,355	8
Other current assets	748	-	789	-					
Total current assets	1,382,231	70	1,253,589	68	<b>NON-CURRENT LIABILITIES</b>				
<b>NON-CURRENT ASSETS</b>					Accrued pension liabilities	14,669	1	15,721	1
Financial assets measured at cost - noncurrent					Guarantee deposits received	415	-	405	-
Debt investment with no active market - noncurrent	16,675	1	19,080	1	Total non-current liabilities	15,084	1	16,126	1
Investment accounted for using equity method	33,608	2	1,540	-	Total liabilities	197,113	10	165,481	9
Property, plant and equipment	3,981	-	10,126	1	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>				
Intangible assets	503,671	25	507,402	28	Ordinary shares	768,323	39	768,323	42
Deferred tax assets	37,763	2	32,501	2	Capital surplus	521,569	26	556,787	31
Refundable deposits	3,135	-	2,366	-	Retained earnings				
Total non-current assets	1,857	-	1,830	-	Legal reserve	142,194	7	113,130	6
					Special reserve	926	-	926	-
					Unappropriated earnings	421,545	21	292,536	16
					Total retained earnings	564,665	28	406,592	22
					Treasury shares	(68,749)	(3)	(68,749)	(4)
					Total equity	1,785,808	90	1,662,953	91
<b>TOTAL</b>	<b>\$ 1,982,921</b>	<b>100</b>	<b>\$ 1,828,434</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 1,982,921</b>	<b>100</b>	<b>\$ 1,828,434</b>	<b>100</b>

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 1,003,977	100	\$ 808,258	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>1,003,977</u>	<u>100</u>	<u>808,258</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	87,489	8	72,996	9
General and administrative expenses	133,153	14	111,665	14
Research and development expenses	<u>319,679</u>	<u>32</u>	<u>283,913</u>	<u>35</u>
Total operating expenses	<u>540,321</u>	<u>54</u>	<u>468,574</u>	<u>58</u>
OPERATING INCOME	<u>463,656</u>	<u>46</u>	<u>339,684</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	20,387	2	13,127	2
Other gains and losses	2,079	-	2,598	-
Share of loss of associates	<u>(9,623)</u>	<u>-</u>	<u>(13,251)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>12,843</u>	<u>2</u>	<u>2,474</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	476,499	48	342,158	42
INCOME TAX EXPENSE	<u>57,930</u>	<u>6</u>	<u>51,518</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>418,569</u>	<u>42</u>	<u>290,640</u>	<u>36</u>
OTHER COMPREHENSIVE INCOME				
Actuarial gain arising from defined benefit plans	<u>1,080</u>	<u>-</u>	<u>1,896</u>	<u>-</u>
Other comprehensive income for the year	<u>1,080</u>	<u>-</u>	<u>1,896</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 419,649</u>	<u>42</u>	<u>\$ 292,536</u>	<u>36</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 418,569	42	\$ 290,640	36
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 418,569</u>	<u>42</u>	<u>\$ 290,640</u>	<u>36</u>

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## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2014		2013	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 419,649	42	\$ 292,536	36
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 419,649</u>	<u>42</u>	<u>\$ 292,536</u>	<u>36</u>
EARNINGS PER SHARE				
Basic	<u>\$ 5.52</u>		<u>\$ 3.87</u>	
Diluted	<u>\$ 5.51</u>		<u>\$ 3.84</u>	

(Concluded)



## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Ordinary Shares		Retained Earnings					Treasury Shares	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
BALANCE, JANUARY 1, 2013	76,833	\$ 768,323	\$ 600,341	\$ 96,699	\$ 5,773	\$ 162,928	\$ 265,400	\$ (105,313)	\$1,528,751
Appropriation of 2012 earnings									
Legal reserve	-	-	-	16,431	-	(16,431)	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(151,344)	(151,344)	-	(151,344)
Reverse of special reserve	-	-	-	-	(4,847)	4,847	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	1,776	-	-	-	-	-	1,776
Issue of cash dividends from capital surplus	-	-	(50,568)	-	-	-	-	-	(50,568)
Net profit for the year ended December 31, 2013	-	-	-	-	-	290,640	290,640	-	290,640
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	1,896	1,896	-	1,896
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	292,536	292,536	-	292,536
Buy-back of ordinary shares	-	-	-	-	-	-	-	(30,997)	(30,997)
Share-based payment transactions	-	-	5,238	-	-	-	-	67,561	72,799
BALANCE, DECEMBER 31, 2013	76,833	768,323	556,787	113,130	926	292,536	406,592	(68,749)	1,662,953
Appropriation 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	-	-	6,335	-	-	-	-	-	6,335
Issue of cash dividends from capital surplus	-	-	(41,553)	-	-	-	-	-	(41,553)
Net profit for the year ended December 31, 2014	-	-	-	-	-	418,569	418,569	-	418,569
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	1,080	1,080	-	1,080
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	419,649	419,649	-	419,649
BALANCE, DECEMBER 31, 2014	76,833	\$ 768,323	\$ 521,569	\$ 142,194	\$ 926	\$ 421,545	\$ 564,665	\$ (68,749)	\$1,785,808

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 476,499	\$ 342,158
Adjustments for:		
Depreciation expenses	27,969	29,046
Amortization expenses	9,017	11,676
Bad debt expense (reversal of bad debt expense) on accounts receivable	1,760	(3,098)
Interest income	(12,853)	(9,943)
Dividend income	(5,753)	(1,438)
Compensation cost of employee share options	-	5,440
Share of loss of associates	9,623	13,251
Gain on disposal of investments	(447)	(46)
Impairment losses on financial assets	5,262	-
Net gain on foreign currency exchange	(6,640)	(2,091)
Property, plant and equipment reclassified as operating expenses	-	58
Intangible asset reclassified as operating expenses	-	32
Changes in operating assets and liabilities		
Increase in accounts receivable	(12,200)	(13,757)
Increase in accounts receivable - related parties	(1,012)	(310)
Decrease (increase) in other receivables	5	(5)
Decrease (increase) in other receivables - related parties	2	(15)
Increase in prepayments	(1,927)	(1,562)
Decrease (increase) in other current assets	41	(282)
Increase in other payables	21,262	16,420
(Decrease) increase in other current liabilities	(3,148)	6,573
Increase (decrease) in accrued pension liabilities	28	(11)
Increase in bonuses payable to employees, directors and supervisors	<u>19,742</u>	<u>18,517</u>
Cash generated from operations	527,230	410,613
Interest received	12,823	9,786
Income tax paid	<u>(66,450)</u>	<u>(13,338)</u>
Net cash generated from operating activities	<u>473,603</u>	<u>407,061</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(305,644)	(137,000)
Proceeds from disposal of available-for-sale financial assets	306,091	137,046
Increase in debt investments with no active market	(32,068)	(13)
Refunded shares on liquidation of investee accounted for using equity method	-	2,274
Acquisition of property, plant and equipment	(19,834)	(10,789)
Increase in refundable deposits	(27)	-
Acquisition of intangible assets	(14,279)	(12,204)
Dividend received	<u>5,753</u>	<u>1,438</u>
Net cash used in investing activities	<u>(60,008)</u>	<u>(19,248)</u>

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## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

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	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	\$ (303,129)	\$ (201,912)
Increase (decrease) in guarantee deposits received	10	(77)
Payments for buy-back of ordinary shares	-	(30,997)
Proceeds from reissue of treasury shares to employees	<u>-</u>	<u>67,359</u>
Net cash used in financing activities	<u>(303,119)</u>	<u>(165,627)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>4,300</u>	<u>1,334</u>
NET INCREASE IN CASH	114,776	223,520
CASH AT THE BEGINNING OF THE YEAR	<u>1,208,387</u>	<u>984,867</u>
CASH AT THE END OF THE YEAR	<u>\$1,323,163</u>	<u>\$1,208,387</u>

(Concluded)

### 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 audit 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>