



May 7, 2014

EMCORE Corporation Announces Financial Results for Second Quarter Ended March 31, 2014

- Consolidated Q2 revenue of \$42.2 million
- Consolidated Q2 GAAP net loss of \$5.4 million and non-GAAP net loss of \$2.6 million
- Anticipate Q3 revenue of \$40 to \$44 million

ALBUQUERQUE, N.M., May 7, 2014 (GLOBE NEWSWIRE) -- EMCORE Corporation (Nasdaq:EMKR), a leading provider of compound semiconductor-based components, subsystems, and systems for the fiber optics and space solar power markets, today announced its financial results for its fiscal second quarter ended March 31, 2014.

Financial Highlights - Second Quarter Ended March 31, 2014

Financial Highlights

(in thousands)	For the Three Months Ended								
	3/31/2014			12/31/2013			3/31/2013		
	Fiber	Solar	Consolidated	Fiber	Solar	Consolidated	Fiber	Solar	Consolidated
Revenue	\$ 23,620	\$ 18,627	\$ 42,247	\$ 23,292	\$ 20,919	\$ 44,211	\$ 23,130	\$ 19,147	\$ 42,277
Gross Profit	\$ 1,933	\$ 4,933	\$ 6,866	\$ 2,397	\$ 7,738	\$ 10,135	\$ 1,619	\$ 6,214	\$ 7,833
Operating (loss) income	\$ (7,320)	\$ 2,071	\$ (5,249)	\$ (6,571)	\$ 4,331	\$ (2,240)	\$ 7,892	\$ 4,279	\$ 12,171

Financial Statement Highlights for the second quarter of fiscal 2014:

- Consolidated revenue was \$42.2 million, representing a decrease from the immediate preceding quarter
- Fiber Optics revenues increased 1.4% over the immediate preceding quarter to \$23.6 million, and Photovoltaics revenue decreased 11.0% to \$18.6 million over the immediate preceding quarter
- Consolidated gross margin was 16.3%, a decrease from the 22.9% gross margin reported in the immediate preceding quarter
- On a segment basis, Fiber Optics gross margin declined to 8.2% from the 10.3% gross margin reported in the immediate preceding quarter and Photovoltaics gross margin decreased to 26.5% from the 37.0% gross margin reported in the immediate preceding quarter. A \$1.0 million warranty reserve related to the previously divested Enterprise business was recorded this period.
- Consolidated operating loss was \$5.2 million, a \$3.0 million higher loss when compared to the immediate preceding quarter
- Consolidated net loss was \$5.4 million, a \$3.4 million higher loss when compared to the immediate preceding quarter
- Consolidated net loss per share was \$0.18 compared to a net loss per share of \$0.07 in the immediate preceding quarter
- Non-GAAP net loss was \$3.6 million, or \$0.12 per share, a decline of approximately \$3.1 million, or \$0.10 per share, over the immediate preceding quarter
- Order backlog for our Photovoltaics segment totaled \$51.4 million as of March 31, 2014, representing a 7.1% decrease from \$55.3 million reported as of December 31, 2013
- Cash and cash equivalents increased \$0.1 million to \$18.2 million at the end of the second quarter, compared to \$18.1 million at the end of the preceding quarter

Business Outlook

On a consolidated basis, we expect revenue for our third quarter ended June 30, 2014 to be in the range of \$40 to \$44 million

with an increase in Fiber revenue and a decrease in Photovoltaics revenue.

Conference Call

We will discuss our financial results today at 4:30 p.m. ET. The call will be webcast via the Company's website at <http://www.emcore.com>. Please go to the site beforehand to download any necessary software. A webcast will be available for replay beginning May 7, 2014 following the conclusion of the call on the Company's website.

Conferences

Management is expecting to present at the following conferences over the next few months:

- 15th Annual B. Riley & Co. Investor Conference at Loews Santa Monica Beach Hotel, Santa Monica, CA on May 21, 2014.

About EMCORE

EMCORE Corporation offers a broad portfolio of compound semiconductor-based products for the fiber optics and space solar power markets. EMCORE's Fiber Optics business segment provides optical components, subsystems and systems for high-speed telecommunications, Cable Television (CATV) and Fiber-To-The-Premise (FTTP) networks, as well as products for satellite communications, video transport and specialty photonics technologies for defense and homeland security applications. EMCORE's Solar Photovoltaics business segment provides products for space power applications including high-efficiency multi-junction solar cells, Covered Interconnect Cells (CICs) and complete satellite solar panels. For further information about EMCORE, visit <http://www.emcore.com>.

Use of Non-GAAP Financial Measures

We provide a non-GAAP net loss disclosure as a supplemental measure to U.S. GAAP regarding our operational performance. This financial measure excludes the impact of certain items; therefore, it has not been calculated in accordance with U.S. GAAP.

We believe that this additional non-GAAP financial measure is useful to investors in assessing our operating performance. We also use this financial measure internally to evaluate our operating performance and for planning and forecasting of future periods. In addition, financial analysts that follow us may focus on and publish both historical results and future projections based on our non-GAAP financial measure. We also believe that it is in the best interest of our investors to provide this non-GAAP information.

While we believe that this non-GAAP financial measure provides useful supplemental information to investors, there are limitations associated with the use of this non-GAAP financial measure. Our non-GAAP financial measure may not be reported by all of our competitors and it may not be directly comparable to similarly titled measures of other companies due to potential differences in calculation. We compensate for these limitations by using this non-GAAP financial measure as a supplement to U.S. GAAP and by providing a reconciliation of our non-GAAP financial measure to its most comparable U.S. GAAP financial measure.

Non-GAAP financial measures are not in accordance with or an alternative for U.S. GAAP. Our non-GAAP financial measure is not meant to be considered in isolation or as a substitute for comparable U.S. GAAP financial measures and it should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP.

Forward-Looking Statements

The information provided herein may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. These forward-looking statements are largely based on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Such forward-looking statements include, in particular, projections about our future results included in our Exchange Act reports, statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate.

These forward-looking statements may be identified by the use of terms and phrases such as "anticipates", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "plans", "projects", "targets", "will", and similar expressions or variations of these terms and similar phrases. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements. We caution that these forward-looking statements relate to future events or our future financial performance and are subject to business, economic, and other risks and uncertainties, both known and

unknown, that may cause actual results, levels of activity, performance or achievements of our business or our industry to be materially different from those expressed or implied by any forward-looking statements.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including without limitation, the following: (a) the rapidly evolving markets for the Company's products and uncertainty regarding the development of these markets; (b) the Company's historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period; (c) delays and other difficulties in commercializing new products; (d) the failure of new products: (i) to perform as expected without material defects, (ii) to be manufactured at acceptable volumes, yields, and cost, (iii) to be qualified and accepted by our customers, and, (iv) to successfully compete with products offered by our competitors; (e) we may not be successful in undertaking the steps currently planned in order to increase our liquidity; (f) uncertainties concerning the availability and cost of commodity materials and specialized product components that we do not make internally; (g) actions by competitors; and (h) other risks and uncertainties described in our filings with the Securities and Exchange Commission ("SEC").

Neither management nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All forward-looking statements in this press release are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in our filings with the SEC that are available on the SEC's web site located at www.sec.gov, including the sections entitled "Risk Factors" in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. Certain information included in this press release may supersede or supplement forward-looking statements in our other Exchange Act reports filed with the SEC. We assume no obligation to update any forward-looking statement to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.

EMCORE CORPORATION

Condensed Consolidated Statements of Operations (in thousands, except per share data) (unaudited)

	For the Three Months Ended			For the Six Months Ended	
	March 31,	December 31,	March 31,	March 31,	March 31,
	2014	2013	2013	2014	2013
Revenue	\$ 42,247	\$ 44,211	\$ 42,277	\$ 86,458	\$ 91,583
Cost of revenue	35,381	34,076	34,444	69,457	72,802
Gross profit	6,866	10,135	7,833	17,001	18,781
Operating expense (income):					
Selling, general, and administrative	6,911	7,972	6,771	14,883	13,675
Research and development	5,204	4,403	4,112	9,607	9,502
Flood-related insurance proceeds	—	—	(14,808)	—	(19,000)
Gain on sale of assets	—	—	(413)	—	(413)
Total operating expense (income)	12,115	12,375	(4,338)	24,490	3,764
Operating (loss) income	(5,249)	(2,240)	12,171	(7,489)	15,017
Other income (expense):					
Interest expense, net	(117)	(126)	(186)	(243)	(424)
Foreign exchange (loss) gain	(90)	100	(21)	10	80
Gain on sale of investment	17	290	—	307	—
Change in fair value of financial instruments	7	(78)	(267)	(71)	(30)
Total other (expense) income	(183)	186	(474)	3	(374)
(Loss) income before income tax expense	(5,432)	(2,054)	11,697	(7,486)	14,643

Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(120)</u>
Net (loss) income	<u>\$ (5,432)</u>	<u>\$ (2,054)</u>	<u>\$ 11,697</u>	<u>\$ (7,486)</u>	<u>\$ 14,643</u>
Per share data:					
Net (loss) income per basic share	<u>\$ (0.18)</u>	<u>\$ (0.07)</u>	<u>\$ 0.44</u>	<u>\$ (0.25)</u>	<u>\$ 0.55</u>
Net (loss) income per diluted share	<u>\$ (0.18)</u>	<u>\$ (0.07)</u>	<u>\$ 0.44</u>	<u>\$ (0.25)</u>	<u>\$ 0.54</u>
Weighted-average number of basic shares outstanding	<u>30,392</u>	<u>29,938</u>	<u>26,310</u>	<u>30,162</u>	<u>26,142</u>
Weighted-average number of diluted shares outstanding	<u>30,392</u>	<u>29,938</u>	<u>26,642</u>	<u>30,162</u>	<u>26,432</u>

EMCORE Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	<u>As of</u> <u>March 31,</u> <u>2014</u>	<u>As of</u> <u>September 30,</u> <u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,175	\$ 16,104
Restricted cash	1,993	815
Accounts receivable, net	37,453	41,826
Inventory	28,518	32,115
Prepaid expenses and other current assets	<u>7,144</u>	<u>9,437</u>
Total current assets	93,283	100,297
Property, plant, and equipment, net	47,213	49,744
Goodwill	20,384	20,384
Other intangible assets, net	1,650	2,159
Other non-current assets, net	<u>888</u>	<u>1,130</u>
Total assets	<u>\$ 163,418</u>	<u>\$ 173,714</u>

LIABILITIES and SHAREHOLDERS' EQUITY

Current liabilities:		
Borrowings from credit facility	\$ 17,600	\$ 21,706
Accounts payable	19,006	19,643
Deferred gain associated with sale of assets	3,400	—
Warrant liability	226	155
Accrued expenses and other current liabilities	<u>20,461</u>	<u>21,597</u>
Total current liabilities	60,693	63,101
Asset retirement obligations	5,157	5,053
Deferred gain associated with sale of assets	—	3,400

Other long-term liabilities	<u>898</u>	<u>981</u>
Total liabilities	66,748	72,535
Shareholders' equity:		
Common stock	752,241	749,266
Treasury stock	(2,071)	(2,071)
Accumulated other comprehensive income	1,625	1,623
Accumulated deficit	<u>(655,125)</u>	<u>(647,639)</u>
Total shareholders' equity	<u>96,670</u>	<u>101,179</u>
Total liabilities and shareholders' equity	<u>\$ 163,418</u>	<u>\$ 173,714</u>

We have provided a reconciliation of our non-GAAP net income (loss) financial measure to its most directly comparable U.S. GAAP financial measure as indicated in the table below:

EMCORE Corporation
Non-GAAP Net (Loss) Income
(in thousands, except per share data)
(unaudited)

	<u>For the Three Months Ended</u>			<u>For the Six Months Ended</u>	
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net (loss) income - US GAAP	\$ (5,432)	\$ (2,054)	\$ 11,697	\$ (7,486)	\$ 14,523
Adjustments:					
Amortization expense	254	254	317	508	634
Stock-based compensation expense	1,104	1,135	1,051	2,239	2,133
Asset retirement obligations - accretion expense	52	52	54	104	108
Specific severance and restructuring charges	358	454	181	812	181
Flood-related insurance proceeds	—	—	(14,808)	—	(19,000)
Gain on sale of assets	—	—	(358)	—	(358)
Specific warranty charges	1,045	—	1,425	1,045	1,425
Foreign exchange loss (gain)	90	(100)	24	(10)	(77)
Gain on sale of investment	(17)	(290)	—	(307)	—
Change in fair value of financial instruments	(7)	78	267	71	30
Income tax expense	—	—	—	—	120
Total adjustments	<u>2,879</u>	<u>1,583</u>	<u>(11,847)</u>	<u>4,462</u>	<u>(14,804)</u>
Net (loss) income - Non-GAAP	<u>\$ (2,553)</u>	<u>\$ (471)</u>	<u>\$ (150)</u>	<u>\$ (3,024)</u>	<u>\$ (281)</u>
Net (loss) income - Non-GAAP per basic share	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.01)</u>
Net (loss) income - Non-GAAP per diluted share	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.01)</u>
Weighted average number of basic shares outstanding	<u>30,392</u>	<u>29,938</u>	<u>26,310</u>	<u>30,162</u>	<u>26,142</u>
Weighted average number of diluted shares outstanding	<u>30,392</u>	<u>29,938</u>	<u>26,310</u>	<u>30,162</u>	<u>26,142</u>

Stock-based compensation expense

The effect of recording stock-based compensation expense was as follows:

Stock-based Compensation Expense	For the Three Months Ended			For the Six Months Ended	
	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	March 31, 2013
<i>(in thousands)</i>					
Cost of revenue	\$ 214	\$ 217	\$ 290	\$ 431	\$ 605
Selling, general, and administrative	579	641	459	1,220	841
Research and development	311	277	302	588	687
Total stock-based compensation expense	<u>\$ 1,104</u>	<u>\$ 1,135</u>	<u>\$ 1,051</u>	<u>\$ 2,239</u>	<u>\$ 2,133</u>

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