Axiomtek
1H2014 Performance Review

YT Yang
Chairman & CEO
August 13, 2014
Agenda

✓ Organization
✓ 1H2014 Performance Review
✓ Business Strategy
✓ Recap of Recent Major Events
Global Organization

Axiomtek Group

AXUS
AXEU
AXSZ
AXDG
EtherWAN
ADS

AXCA
AXMA
AXBJ
AXSH
EtherWAN USA

Taipei, Taiwan (Headquarters)
California, America
Langenfeld, Germany
Beijing, China
### Global Operation

#### Company Details:
- **Axiomtek**
- **EtherWAN**
- **ADS**

#### Region Details:
- China
- Taiwan
- USA
- Europe

#### Sales Offices:
- 3 China
- 2 Taiwan
- 9 USA
- 1 Europe
- 1 Taiwan
- 4 USA
- 1 Taiwan
- Total: 21

#### Manufacturing:
- 1 China
- 1 Taiwan
- 2 USA
- 1 Europe
- 1 Taiwan
- 2 USA
- 1 Taiwan
- Total: 5

#### Engineering:
- 1 China
- 1 Taiwan
- 2 USA
- 1 Europe
- 1 Taiwan
- 2 USA
- 1 Taiwan
- Total: 9

#### Logistics Hubs:
- 1 China
- 1 Taiwan
- 2 USA
- 1 Europe
- 1 Taiwan
- 1 USA
- Total: 7

#### Employee Count:
- Axiomtek: 87
- EtherWAN: 439
- ADS: 78
- Total: 783
Group Business Integration

Networking
- EtherWAN
- Security
- ITS
- Surveillance

Computing
- Axiomtek
- Automation
- Transportation
- Digital Signage
- HMI
- POS/Kiosk

Display & Power
- ADS
- Energy
- Gaming
- Medical

Channel Development for Embedded World
Strategic Business Unit

OBM/ODM/OEM

Regional Business Units

AXUS  AXEU  AXCN  TW  Channel Partners  KA/ODM

Design-in  Transportation  Energy & Utility  Gaming/POS/NA

EMB  IMB  SoM  IPC  SSBC  EBDS  iCON  GPPC  HMSS  DSS  DMS

EBM (Embedded Board & Module)  ESP (Embedded Systems & Panel PC)

Strategic Business Unit/Product Divisions

AXPT in Taiwan  PCBA & System Integration
AXDG in China  Chassis assemble & Integration
AXSYS in US  Valued System Integration

Facilities
Agenda

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### Consolidated Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1</td>
<td>H2</td>
<td>H1</td>
<td>H2</td>
<td>H1</td>
</tr>
<tr>
<td>Revenue (TWD K)</td>
<td>1,312,478</td>
<td>1,536,626</td>
<td>1,440,429</td>
<td>1,321,470</td>
<td>1,459,380</td>
</tr>
<tr>
<td></td>
<td>1,440,429</td>
<td>1,321,470</td>
<td>1,342,883</td>
<td>1,459,380</td>
<td>1,666,028</td>
</tr>
<tr>
<td></td>
<td>1,342,883</td>
<td>1,459,380</td>
<td>1,666,028</td>
<td>2,024,883</td>
<td>2,226,335</td>
</tr>
</tbody>
</table>
### Statements of Comprehensive Income

#### Selected Items from Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>(in TWD K)</th>
<th>2Q2014</th>
<th>1Q2014</th>
<th>2Q2013</th>
<th>2Q2014 Over 1Q2014</th>
<th>2Q2014 Over 2Q2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,131,754</td>
<td>1,094,581</td>
<td>856,039</td>
<td>3.40%</td>
<td>32.21%</td>
</tr>
<tr>
<td>GP%</td>
<td>36.13%</td>
<td>35.38%</td>
<td>37.57%</td>
<td>+0.75ppts</td>
<td>-1.44ppts</td>
</tr>
<tr>
<td>Operating expense</td>
<td>(271,259)</td>
<td>(250,247)</td>
<td>(232,925)</td>
<td>8.40%</td>
<td>16.46%</td>
</tr>
<tr>
<td>Operating income</td>
<td>137,614</td>
<td>137,030</td>
<td>88,705</td>
<td>0.43%</td>
<td>55.14%</td>
</tr>
<tr>
<td>Net non-operating income(loss)</td>
<td>(8,149)</td>
<td>10,074</td>
<td>5,826</td>
<td>-180.89%</td>
<td>-239.87%</td>
</tr>
<tr>
<td>Income before tax</td>
<td>129,465</td>
<td>147,104</td>
<td>94,531</td>
<td>-11.99%</td>
<td>36.96%</td>
</tr>
<tr>
<td>Net Income</td>
<td>97,738</td>
<td>108,855</td>
<td>75,381</td>
<td>-10.21%</td>
<td>29.66%</td>
</tr>
<tr>
<td>Net income Margin%</td>
<td>8.64%</td>
<td>9.94%</td>
<td>8.81%</td>
<td>-1.30ppts</td>
<td>-0.17ppts</td>
</tr>
<tr>
<td>Net income to shareholders of the parent company</td>
<td>94,496</td>
<td>104,917</td>
<td>71,639</td>
<td>-9.93%</td>
<td>31.91%</td>
</tr>
<tr>
<td>EPS</td>
<td>1.21</td>
<td>1.35</td>
<td>0.92</td>
<td>-10.37%</td>
<td>31.52%</td>
</tr>
</tbody>
</table>
Product Revenue Breakdown

1H14 Revenue by OBM/ODM

- OBM: 66.5%
- ODM: 33.5%

1H14 Revenue by Product

- Embedded Systems: 51.0%
- Embedded Boards and SoMs: 18.0%
- Panel PC and Display: 10.0%
- Industrial Network: 21.0%

1H14 Revenue by Geography

- America: 60.0%
- Europe: 20.0%
- China: 8.0%
- Greater Asia: 3.0%
- Emerging Asia: 9.0%

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✓ Business Strategy
✓ Recap of Recent Major Events
✓ Business Strategy

✓ Industrial 4.0 and IoT

✓ Customer and Market

✓ Product Strategy

✓ Technology Approach
From Industry 1.0 to Industry 4.0: Towards the 4th Industrial Revolution

Industry is on the threshold of the fourth industrial revolution. Driven by the Internet, the real and virtual worlds are growing closer and closer together to form the Internet of Things.
Better with integration

Examples of successful integration in the product development and production process

Modern and future production facilities take advantage of industrial integration including horizontal, vertical and lifecycle integration. This infographic provides Siemens' view of efficient production with technologies currently available. Follow the QR Code for a more detailed version.

- **Siemens PLM software**
  Siemens Product Lifecycle Management (PLM) manages the entire lifecycle of a product efficiently and cost-effectively, from ideation, design and manufacture, through to service and disposal.

- **TIA**
  Siemens Totally Integrated Automation (TIA) portal optimises all planning, machine and process procedures and safety for people and the plant – leading to reduced time and cost and increased flexibility.

- **Manufacturing Execution System**
  SIMATIC IT offers tailor-made access for real-time process information company-wide. Production processes can be standardised to significantly increase production output with the same space and number of employees.

- **Product Lifecycle Services**
  Comprehensive services for the complete lifecycle of a plant.

- **Integrated Drive Systems**
  Siemens Integrated Drive Systems are the world's first true one-stop solution for entire drive trains, integrating with any automation environment, and even in the entire lifecycle.

- **Data-Driven Services**
  Process and production data are continuously recorded and analyzed in real time, allowing for things such as predictive maintenance, improved energy efficiency, and increased availability, performance and quality.
Market Projection for Smart World

2013 – 22 10yrs NPV($bn)

Smart Factories: 1950
Connected Marketing and ads: 1950
Connected Gaming and Entertainment: 757
Smart Building: 635
Connected commercial ground vehicles: 349
Connected health care: 347
Connected private college education: 106

Source: CISCO IBSG / GBI Research
By 2018, 36% of new industrial automation device shipments will be IP addressable?

Increasingly, there is a focus on driving increased intelligence into the network as part of a larger effort to make advancements in manufacturing, similar to the paradigm shift that occurred with the industrial revolution. Large industry players such as GE are touting the benefits in “Industrial Internet” as a way to dramatically improve efficiency and productivity for industrial applications. In Germany, the Industry 4.0 initiative to create smart factories is pursuing a similar goal. From a broader IoT standpoint, of particular interest regarding both the GE and Industry 4.0 initiatives is that they promote tight integration between both suppliers and customers.
Future Internet

Internet of Things

Smart Cities
Connected Communities

Smart Planet
Green Environment

Smart Buildings
Buildings, Smart Homes

Smart Industry
Industrial Environments

Smart Energy
Electric Grid

Smart Transport
ITS, HEVs, EVs

Smart Living
Entertaining, Leisure

Smart Health
Healthcare System
Product Strategy

Deeply Embedded Solutions in Vertical Markets

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Vertical Market
- Automation
- Transportation
- Energy & Utility
- Gaming...

Alliance
- Intel
- AMD
- Freescale
- Microsoft
- Linux
- Android...

Product
- Embedded Boards & SoM
- Embedded Systems & Network Devices
- Touch PC & Digital Signage
## Technology Approach

<table>
<thead>
<tr>
<th>Embedded Board &amp; SoM</th>
<th>Embedded Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>High density design with tiny solutions</td>
<td>Thermal, temp. managed solutions</td>
</tr>
<tr>
<td>Thermal and temp. managed solutions</td>
<td>AXView software utility to support remote monitoring and management, security and connectivity</td>
</tr>
<tr>
<td>Ability to support EOS of WinCE/XP/7/8, Linux and Android</td>
<td>IP66 water-proof, dust-proof, anti-vibration, EMC/EMI and surge protection</td>
</tr>
<tr>
<td>Design-in services to support customized solutions of X86 and RISC platforms</td>
<td>Experienced in certificates of vertical markets; transportation, energy, marine and hazardous location</td>
</tr>
<tr>
<td>Battery backup solutions</td>
<td>Video mixer with PIP solutions</td>
</tr>
<tr>
<td>Design-in services for peripheral integration of LCD, T/S, SSD, and SPS</td>
<td>Integrated rich digital and analog I/O for automation solutions</td>
</tr>
<tr>
<td></td>
<td>EtherCAT and Zigbee wireless technology</td>
</tr>
</tbody>
</table>
What We Are Working for IoT

- AXAnalyzer
  - Trouble Shooting
- AXAnalyzer
  - Data Mining
- AXFirewall
  - Security
- AXGateway
  - EtherCAT IO
  - Connectivity
- AXView 2.0
  - Manageability
- AX Cloud
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Recap of Recent Major Events

• Axiomtek sets July 22\textsuperscript{nd} as ex-dividend date, July 23\textsuperscript{rd} as record date for common share dividends and August 22\textsuperscript{nd} as payable day. (July 2014)

• Axiomtek shareholders approved NT$ 2,666,957.09 cash dividend. (July 2014)

• Axiomtek is ranked 641 among Top 1000 Enterprises in the manufacturing industry in Taiwan by CommonWealth Magazine. (May 2014)
Thank You