

ADVANTECH

Y2018 1H Financial Results

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Aug, 2018

Safe Harbor Notice

- **This presentation contains forward-looking statements and is subject to risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements.**
- **The projections should not be interpreted as legally binding commitments, but rather as flexible information subject to change occasionally.**

Y18 1H Financial Results

Consolidated

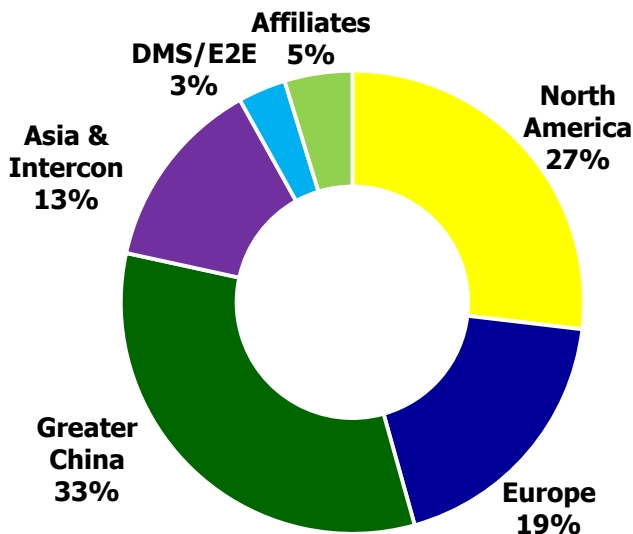
NT\$M	Y2017			Y2018			QoQ	YoY
	1Q	2Q	1H	1Q	2Q	1H		
Net Sales	10,006	11,406	21,412	11,355	12,645	24,001	11%	12%
YoY%	-1%	6%	3%	13%	11%	12%		
Gross Margin%	40.5%	38.6%	39.5%	38.2%	37.9%	38.0%	-0.3%	-1.5%
Operation Expense	2,548	2,648	5,196	2,696	2,851	5,547	6%	7%
Operation Margin%	15.0%	15.4%	15.2%	14.5%	15.3%	14.9%	0.9%	-0.3%
Non-Operation Income	-4	386	382	99	87	186	-12%	-51%
*Effective Tax Rate	19.6%	19.5%	19.5%	21.5%	21.4%	21.4%	-0.1%	1.9%
NPAT	1,206	1,723	2,929	1,368	1,595	2,963	17%	1%
EPS (NT\$)	1.73	2.47	4.20	1.95	2.28	4.23	17%	0.7%

* Effective tax rate Increased by 3% mainly due to Taiwan CIT increased from 17% to 20% since Y2017

Y18 1H Performance by Region

Local Sales: US 809.3M, +16.3%

USD\$M	Y17 1H	Y18 1H	GR%	%
North America	181.8	217.4	+19.6%	27%
Europe	121.0	152.2	+25.8%	19%
Greater China	224.8	265.1	+17.9%	33%
Asia & Intercon	102.2	109.4	+7.0%	13%
DMS/E2E	33.6	27.1	-19.5%	3%
Affiliates	32.8	38.3	+16.8%	5%
Total	696.2	809.3	+16.3%	100%



North America

ANA:	202.1M	GR%: +22.7%
B+B:	15.3M	GR%: -10.5%

Europe

AEU:	128.0M	GR%: +21.5%
ADLoG:	24.2M	GR%: +54.7%

Greater China

China:	206.9M	GR%: +18.7%
Taiwan:	58.2M	GR%: +15.4%

DMS/E2E

DMS(NC):	20.8M	GR%: -25.0%
DMS(AC):	4.4M	GR%: +6.5%

Asia & Intercon

Japan:	19.6M	GR%: +8.5%
Korea:	32.4M	GR%: +6.0%
AAU/NZ:	5.7M	GR%: +15.0%
ASEAN:	15.0M	GR%: +6.4%
India	6.5M	GR%: +32.9%
Russia	6.9M	GR%: -31.1%
ME&A	15.5M	GR%: +36.0%
LATAM	7.5M	GR%: -2.2%

Affiliates

Advanix:	8.4M	GR%: +6.1%
ALNC:	11.6M	GR%: +32.9%
A-Cermate:	6.6M	GR%: +31.9%
A-Kostec:	2.0M	GR%: -4.8%

Y18 H1 Performance by SBG

Local Sales: US 809.3M, +16.3%

US 343.2M, 42%, +9.3%

Embedded-IoT + Allied DMS (Design-in)

Networks & Communications

- Telecom & Mission Critical Systems
- Enterprise Network Platforms
- Network & Embedded Switches
- Video Broadcasting

US 74.0M
9%, -2.7%

Embedded Core & IoT Modules

- Computing on Modules
- Single Board Computers
- Industrial Motherboards
- Embedded Box Computers
- M2I/Connected Appliances
- Industrial Display Solutions
- Industrial Flash Storage (SQFlash)
- Embedded Wireless Modules (M2.COM)
- WISE-Edge & Cloud Software
- ARIM-based Computing
- Modular Board Design Services
- Gaming Solutions

US 217.7M

27%, +16.8%

Applied Computing

- Industrial Mobile Computing
- Applied Computing DMS
- Allied-DMS/China
- Embedded DMS/US/Europe

US 51.4M
6%, +0.05%

% of Sales, YoY Growth

APS & AGS

US 106.2M
13%, +22.2%

Industrial-IoT

- +21%, 106%
- Industrial Automation**
- Industrial I/O & Controllers
- Automation Computing & HMI
- Motion Controls & Machine Vision
- Remote IoT Devices (WISE)
- WebAccess+ Software
- iFactory (Industry 4.0) Solutions
- Machine Automation Solutions
- Energy & Environment Solutions

US 287.0M

35%, +21.4%

Intelligent Systems

- +24%, 112%
- Industrial Computers
- Industrial Servers & Storage
- Intelligent Video Solutions
- Transportation Solutions
- Connectivity**
- Network Edge Solutions
- Industrial Switches +11%, 99%
- Industrial Wireless Devices
- Industrial Cellular Routers

Service-IoT

Intelligent Healthcare

- Medical Computing
- Intelligent Hospital Solutions

Intelligent Retail

- iRetail Platforms
- Intelligent Retail Solutions
- Digital Signage Solutions

US 73.0M

9%, +23.8%

Intelligent Logistics

- In-Vehicle Computing
- Logistics & Fleet Management Solutions

AIM Series Industrial Mobile Computers

Enabling an Intelligent Planet

ADVANTECH

Y18H1 Performance By SBG

1H18	US\$ mn	Revenues	YoY	Gross Margin Range	Operating Profit	OP Margin
Industrial IOT		287	21%	45~50%	65	22.7%
Embedded IOT		218	17%	33~38%	35	16.3%
Allied DMS	ACG	51	0%	30~35%	7	13.6%
	NCG	74	-3%	35~40%	11	14.6%
Service IOT		73	24%	35~40%	5	6.2%
AGS & APS		106	22%	15~20%	12	11.3%
Other unallocated expenses					-14	
Total		809	16%		121	14.9%

- IIoT grew 21%, GP range to be between 45~50%, EIoT grew 17%, low to the medium GP product line had a higher growth rate
- NCG/ACG gross margin declined due to biz competition and key component cost up
- AGS/APS product line include CPU, Memory, Flash, mainly sell out through Advantech system product

Y18 1H Working Capital

NT\$M	Consolidated				
	2016	2017		2018	
	Full	Q1 End	Q2 End	Q1 End	Q2 End
Cash Position	7,237	6,678	8,315	8,469	10,173
Accounts Receivable	7,378	6,719	7,730	7,797	8,501
DSO (Days)	63	58	65	61	64
Inventory	5,597	5,799	5,969	6,818	7,174
DOH (Days)	78	88	77	87	82
Accounts Payable	4,983	3,605	4,198	5,376	6,251
Days	69	54	54	69	72

- Inventory DOH slightly higher than last year mainly due to aggressive purchasing actions to cover material shortage & long lead time