

Hermes Microvision, Inc.

Investor Presentation

November 2013



I. Introduction to HMI



HMI Highlights

Company Profile

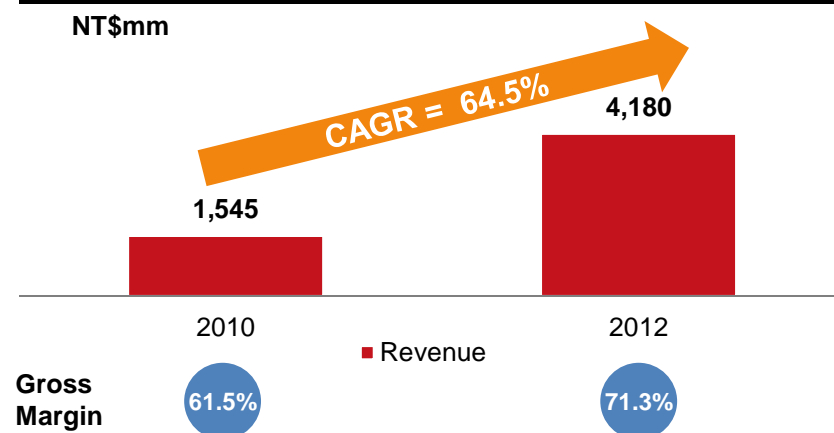
- World's leading supplier of EBI tools and solutions
- Founded in 1998, headquartered in Hsinchu, Taiwan
- Listed on GreTai Securities Market (Ticker: 3658)
- 528 employees, of which 196 are R&D engineers, as of September 30, 2013

Leading-edge Inspection Tools and Solutions

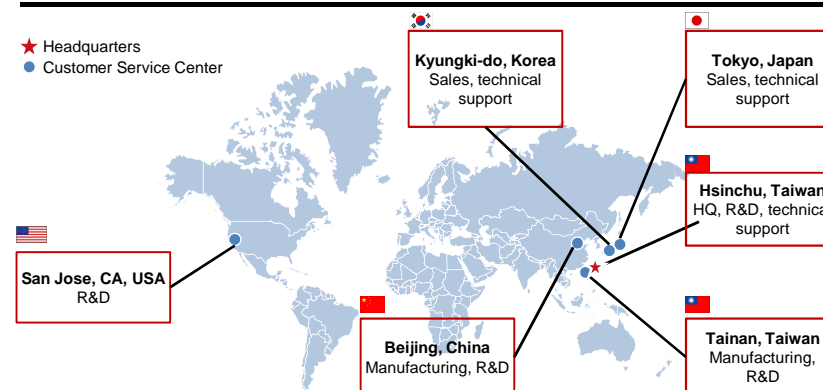


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Robust Growth Momentum



Global Footprint

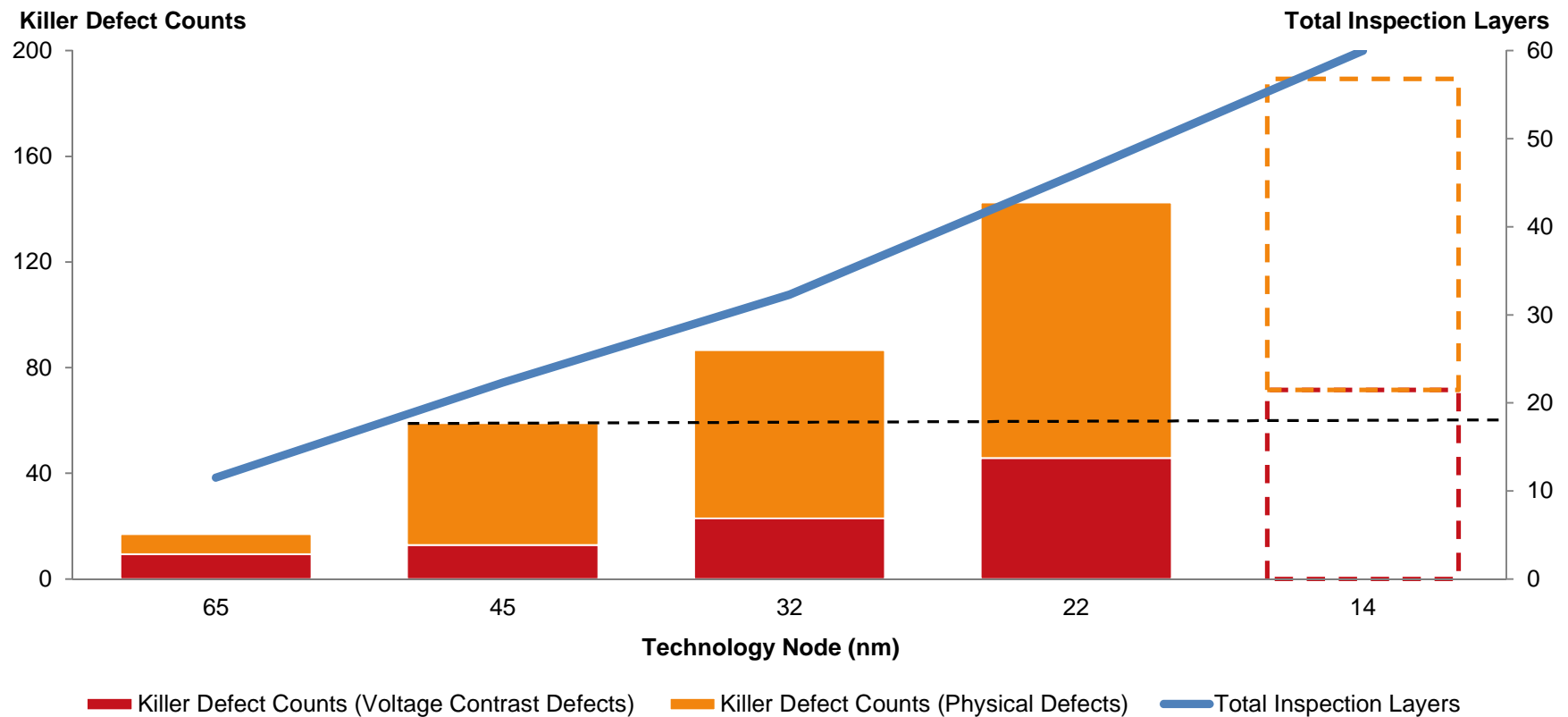


Source: Company Filings

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Advanced Geometries and Complex Processes Require Enhanced Precision for Yield Improvement

As technology nodes become smaller, inspection tools with higher resolutions will be required to meet the needs



Source: Company Filings

E-Beam Meeting the Challenges of Technology Advancement

Optical inspection does not meet the challenges of advanced node evolution due to low sensitivity and the inability to detect electrical defects in addition to physical defects



Optical Inspection



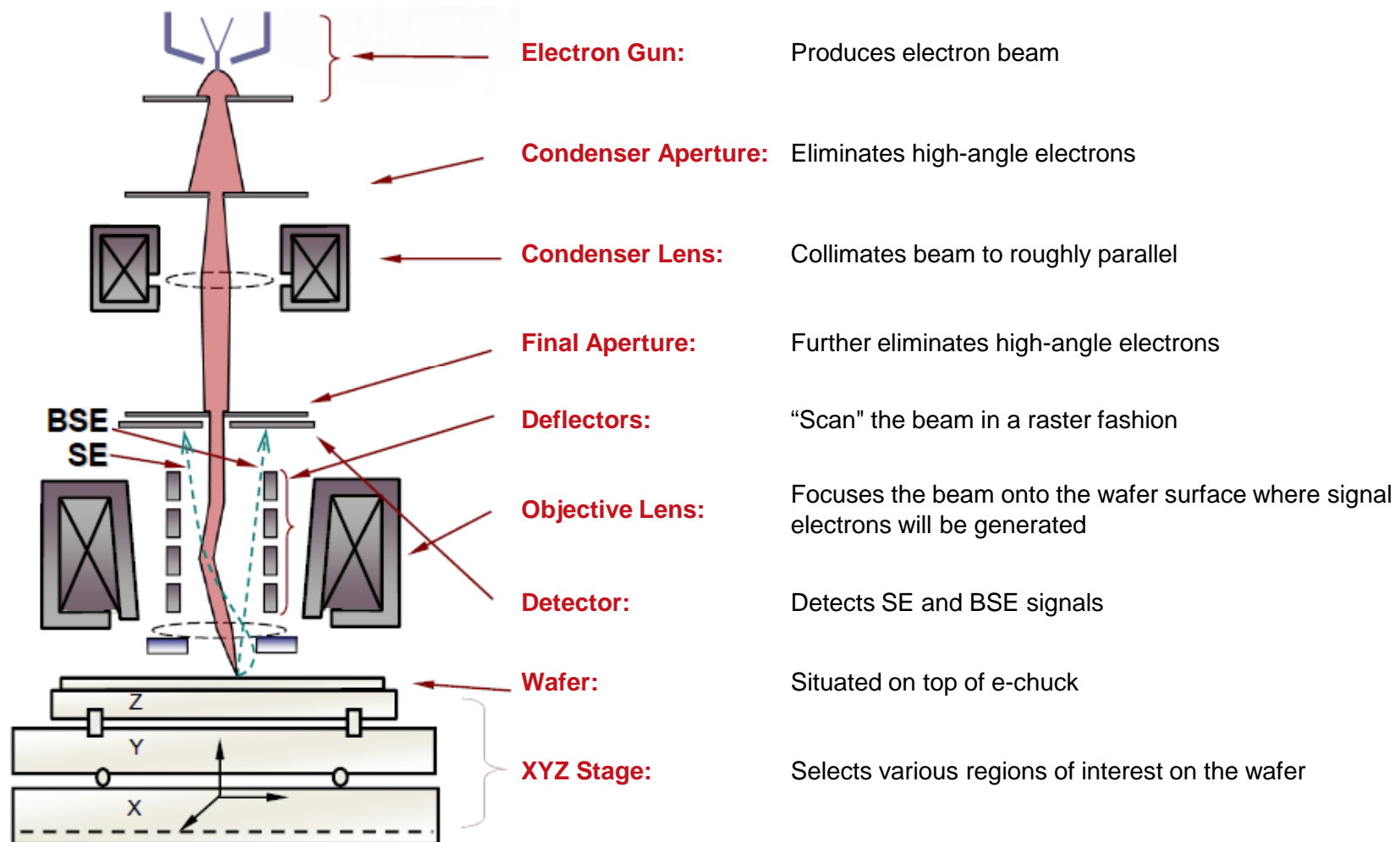
E-Beam Inspection

	vs.	
Medium	Resolution	High
Fast	Scanning Speed	Slower
Physical defects	Defects Capability	Nano-scaled physical defects; electrical defects
45nm: Image blurred 28nm: Extremely difficult	Sensitivity	Below 10nm
Largely adopted in manufacturing process above 40nm	Current Application	Advanced process research and development and mass production
Sampling at each stop Large area scanning	Scanning	At crucial process stops Used for high risk wafer areas
~90%	Market Share	~10%
High	Technology Difficulty	High
High	Price	Lower
KLA Tencor; Applied Materials	Major Suppliers	HMI; KLA Tencor

Source: Company Filings



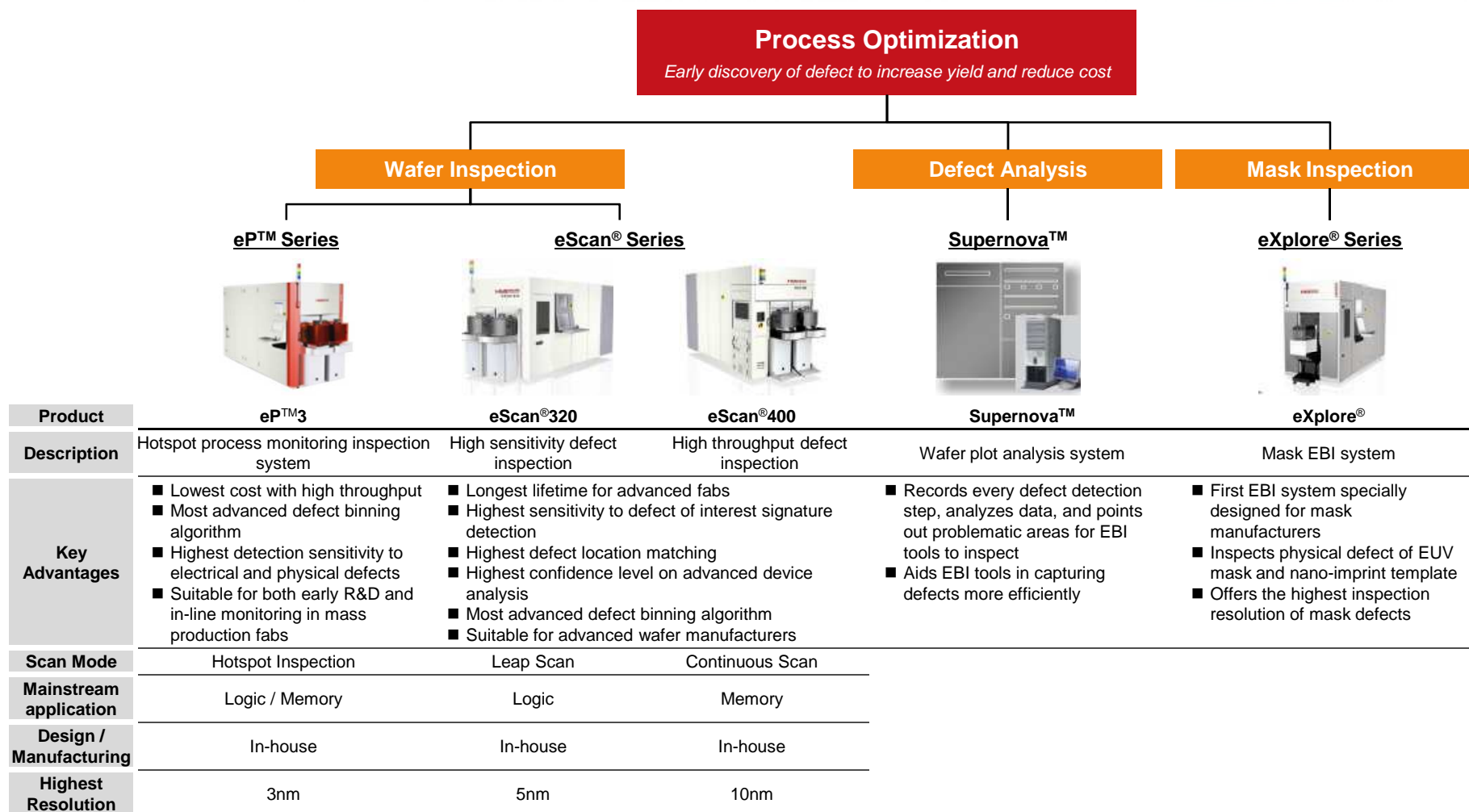
How Does E-Beam Technology Work



Source: Company Filings

Overview of HMI's Product Portfolio

Diversified Product Offerings and Capabilities



Source: Company Filings, Company Website

II. Key Investment Highlights



Key Investment Highlights

1

Clear Beneficiary of Fast Growing Semiconductor Process Control Segment

2

Leading Expertise in E-Beam Inspection Technology

3

Strong Partnerships with Industry Leaders Based on Technology and Services

4

Integrated Business Model Delivering Superior Operating Efficiency

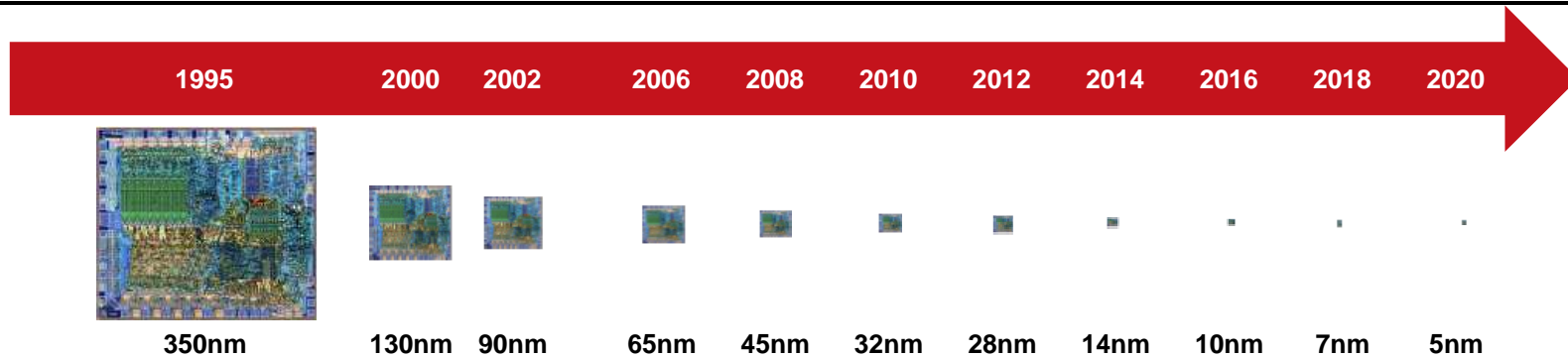
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Experienced Management Team with Proven Track Record

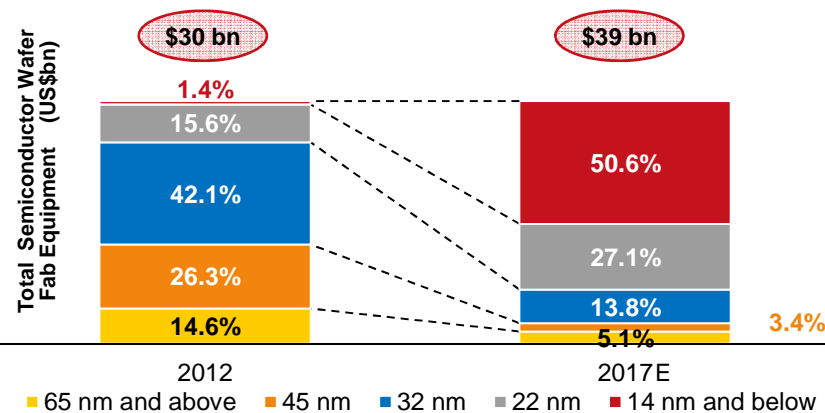
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Clear Beneficiary of Fast Growing Semiconductor Process Control Segment

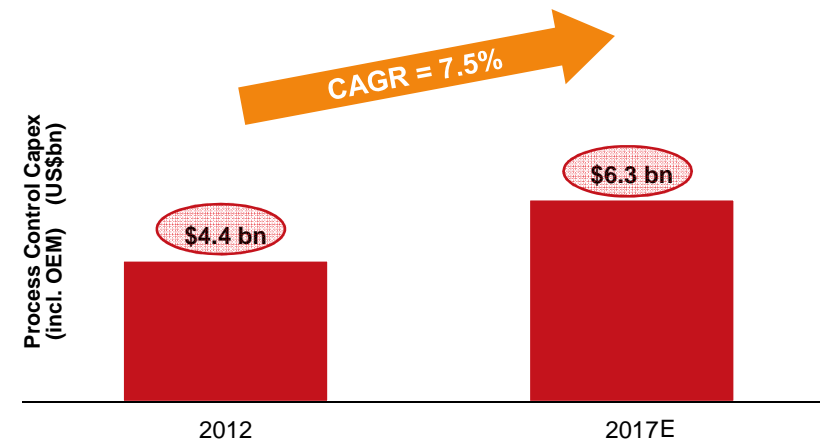
Industry Transitioning to Smaller Technology Nodes



Increasing Importance of Advanced Technology Nodes



Investment in Process Control Tools on the Rise



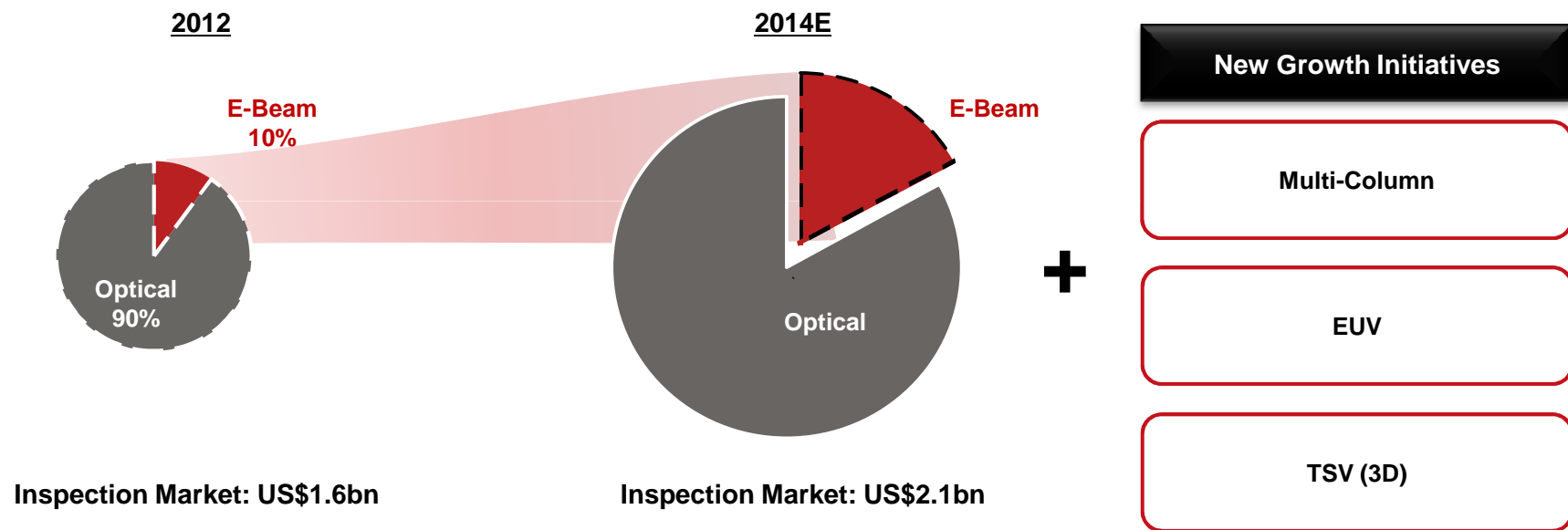
Source: Company Filings, Gartner Research

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1

Clear Beneficiary of Fast Growing Semiconductor Process Control Segment


The distinct advantages of EBI over optical at advanced technology nodes encourages increasing adoption of EBI in wafer inspection. HMI continues to focus on new growth initiatives that include Multi-Column, EUV and TSV (3D)



Source: Company Filings, Gartner Research

Leading Expertise in E-Beam Inspection Technology

Distinct leader in EBI technology with the most comprehensive range of products, superior technology (highest resolution), high barriers of entry (92 patents with another 118 under application), and a strong R&D team

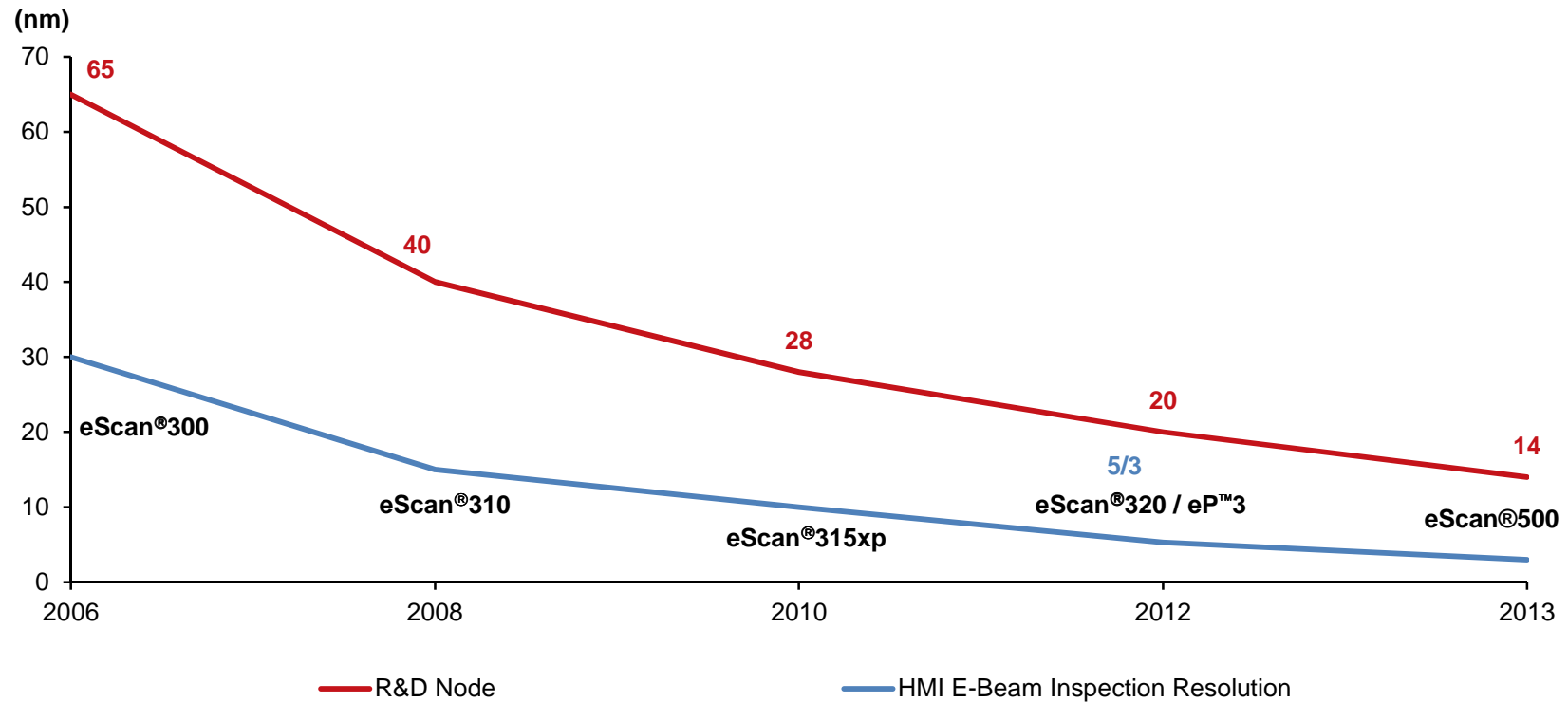
		Competitor A	Competitor B
Inspection Technology	E-Beam Only	Optical / E-Beam	Optical / E-Beam
Number of E-Beam Products	8	2	?
Highest Resolution	3nm	7nm	10nm
Electron Guns Supplier	Self-Developed	Self-Developed	?
Continuous Scan	✓	✓	✓
Leap Scan	✓	✗	✗
Auto Defect Review	✓	✗	?

Source: Company Filings

2

Leading Expertise in E-Beam Inspection Technology

HMI has achieved approximately a 30% improvement in resolution with every generation of tech node evolution



HMI is committed to leading technology innovation through R&D

Source: Company filings











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3










Strong Partnerships with Industry Leaders Based on Technology and Services

Partnerships for Long-term Success

Top IDMs¹ by 2012 Rev. (US\$mm)

Company	Revenue
 intel	\$49,089
 SAMSUNG	28,622
 TEXAS INSTRUMENTS	11,111
 TOSHIBA	10,610
 RENESAS	9,152
 SK hynix	8,965
 STMicroelectronics	8,415
 Micron	6,917
 Infineon Technologies	4,797
 NXP	4,114

Top Foundries by 2012 Rev. (US\$mm)

Company	Revenue
 TSMC	\$17,130
 GLOBALFOUNDRIES	4,200
 UMC	3,602
 SMIC	1,702
 SAMSUNG	1,295
 TOWER SEMICONDUCTOR	639
 IBM	634
 Powerchip 力晶科技	614
 GRACE SEMICONDUCTOR MANUFACTURING CORPORATION	602
 VISI	580

HMI's Winning Business Model

- ☑ HMI *teams up with customers in R&D* and shares the benefits of innovation
- ☑ HMI *customizes to meet different needs*
- ☑ HMI *provides instant customer service globally*
- Our customer service centers are located where our customers are located

¹ IDM (Integrated Device Manufacturers) includes both logic and memory IC companies. Revenue from shipments based on Gartner Research.
Source: Company Filings, Gartner Research

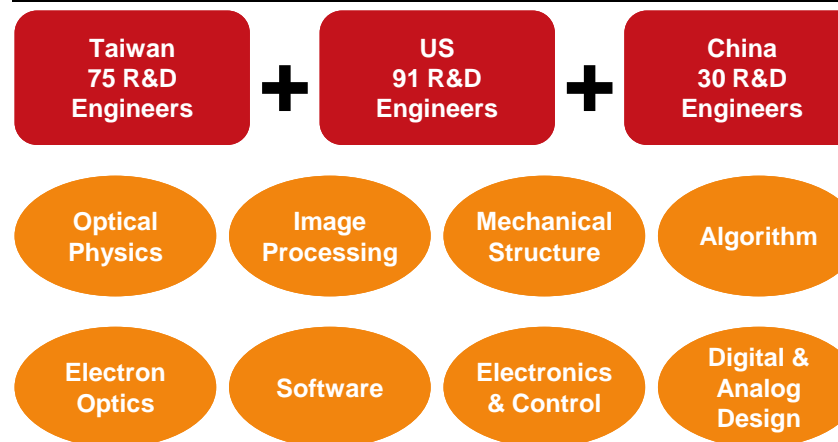
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Integrated Business Model Delivering Superior Operating Efficiency

Key Technologies

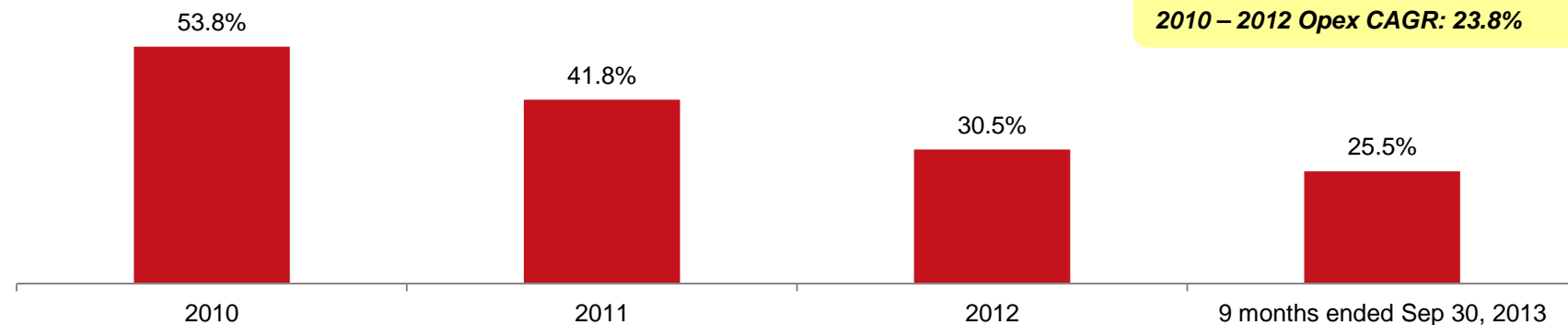
- ☑ Designs all and manufactures 80% of the key components, modules and systems in-house, which ensures uniqueness, quality, performance and lifetime of products while providing cost advantages
- ☑ Extensive technological expertise in:
 - E-Beam system: e-optics, deflection, imaging
 - Algorithm: image comparison and defect detection
 - Mechanical systems: vacuum and precision movement
 - GDS analysis: defect tracking and analysis database

Multi-Disciplinary R&D Team



Strong Operating Leverage










Operating Expense as % of Revenues



Source: Company Filings

Experienced Management Team with Proven Track Record

Core Senior Management Team with Strong Track Record

Mr. Chin-Yung SHU	Dr. Jack JAU	Mr. Leo SHEN	Mr. Raymond SU
<i>Chairman</i>	<i>President and CTO</i>	<i>CFO</i>	<i>VP of Global Business</i>
<ul style="list-style-type: none"> ■ Industry experience: 38 years ■ With HMI for more than 9 years ■ Prior experience: 	<ul style="list-style-type: none"> ■ Industry experience: 25 years ■ Co-founder of HMI ■ Prior experience: 	<ul style="list-style-type: none"> ■ Industry experience: 17 years ■ With HMI for 7 years ■ Prior experience: 	<ul style="list-style-type: none"> ■ Industry experience: 25 years ■ With HMI for 9 years ■ Prior experience:
  	 	 	 

Relentless Focus on R&D to Maintain Technology Leadership

As of September 30, 2013:

- 196 dedicated R&D staff (including 43 employees with PhDs), representing 37% of total workforce, led by Dr. Jack Jau
- 92 EBI-related patents held
 - 118 patents currently under application

Source: Company Filings

Growth Strategies

1

Continue to focus on R&D to extend technology leadership

2

Diversify product offerings and capabilities

3

Continue to strengthen partnerships with customers

4

Continue to evaluate and make strategic investments

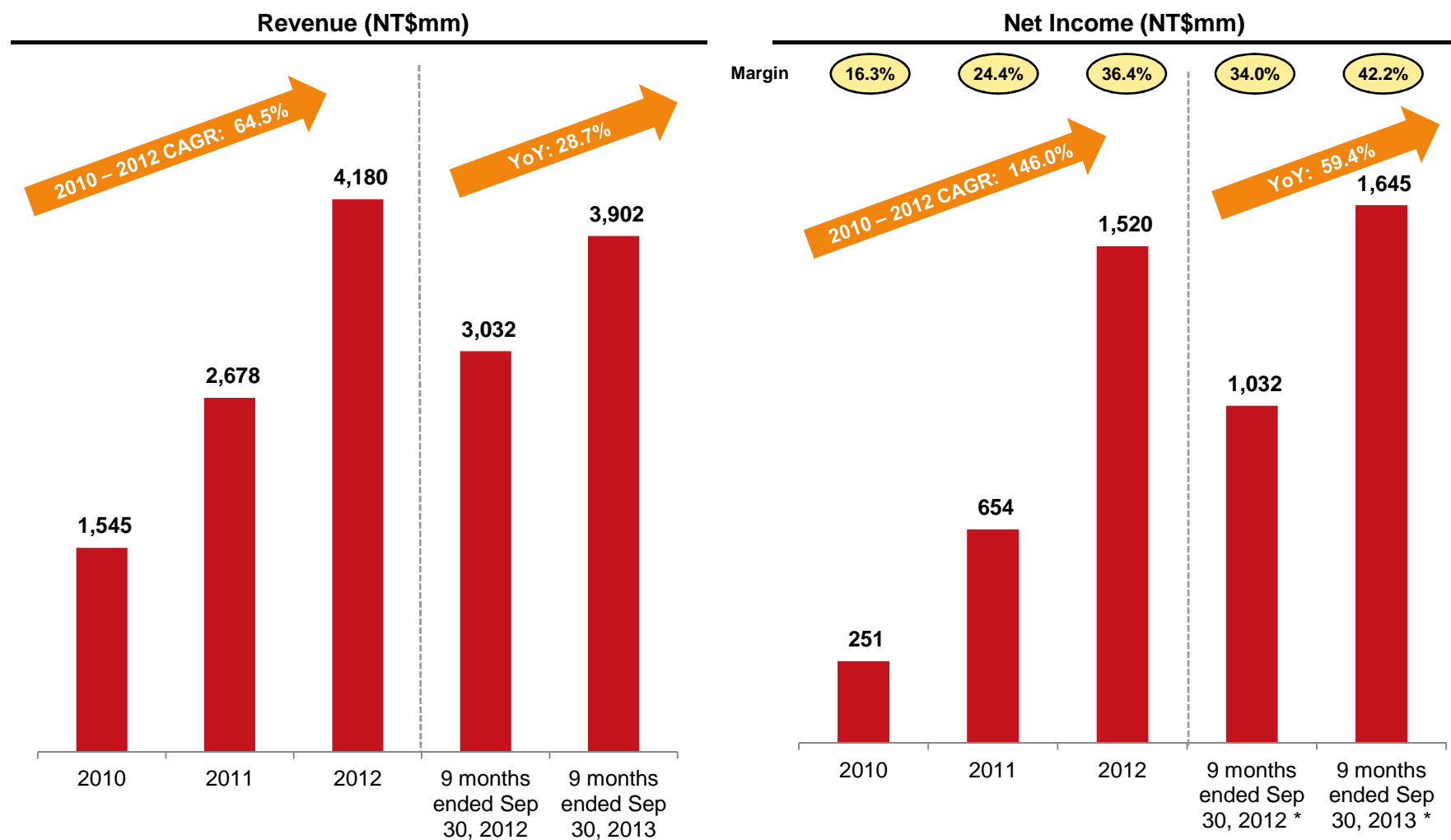
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Attract, train, and retain top talent

III. Financial Highlights



Robust Revenue Momentum and Profitability



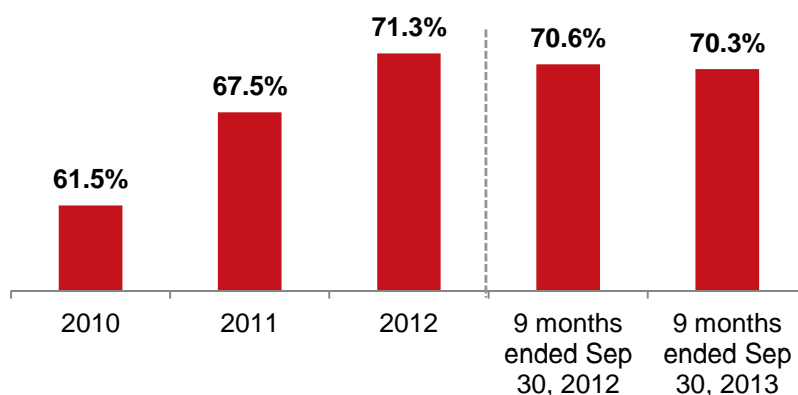
Source: Company Filings

* Profit for the period, excluding other comprehensive income.

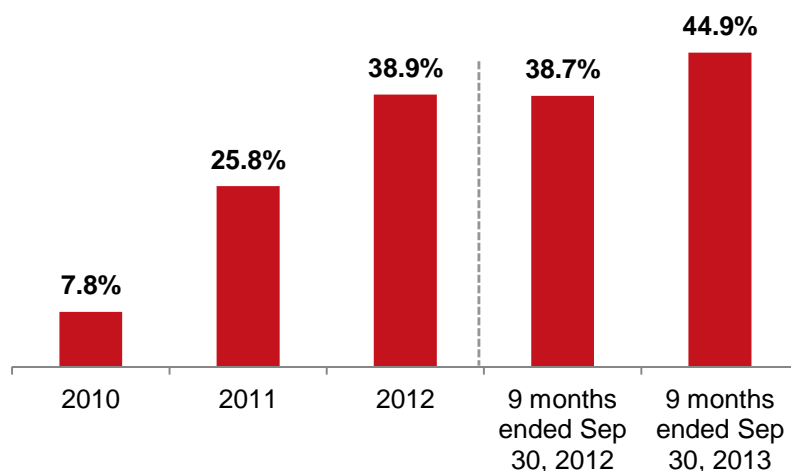


Attractive Margin Profile Attributable to Competitive Cost Structure

Gross Margin

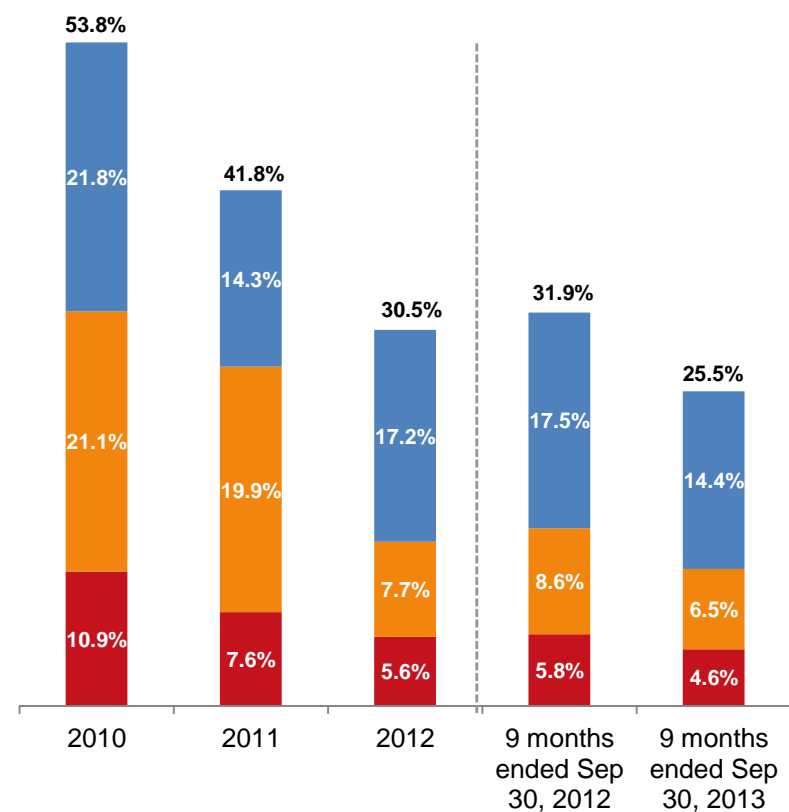


Operating Margin



Disciplined Cost Structure

Operating Expense
as % of Revenues



■ General and Administrative Expenses ■ Selling Expenses ■ R&D Expenses

Source: Company Filings



Healthy Balance Sheet and Strong Cash Flow Position

Selected Balance Sheet Items

NT\$mm	2010	2011	2012	Sep. 30, 2013
Cash and Cash Equivalents	742	612	2,776	3,647
Short-Term Borrowings	1,571	657	0	0
Long-Term Debt	0	0	0	0
Total Debt	1,571	657	0	0
Net Debt	829	45	(2,776)	(3,647)
Total Common Equity	729	1,407	3,940	4,741
Minority Interest	13	21	33	37
Total Equity	742	1,428	3,973	4,778
Total Liabilities And Equity	2,776	2,757	5,204	6,495

Selected Cash Flow Statement Items

NT\$mm	2010	2011	2012	9 months ended, Sep. 30, 2013
Cash from Operations	(267)	821	1,854	1,719
Capex	(15)	(53)	(46)	(61)
Cash from Investing	(19)	(62)	(52)	(66)
Dividend	-	-	(264)	(792)
Cash from Financing	699	(902)	347	(790)

Source: Company Filings

Q&A

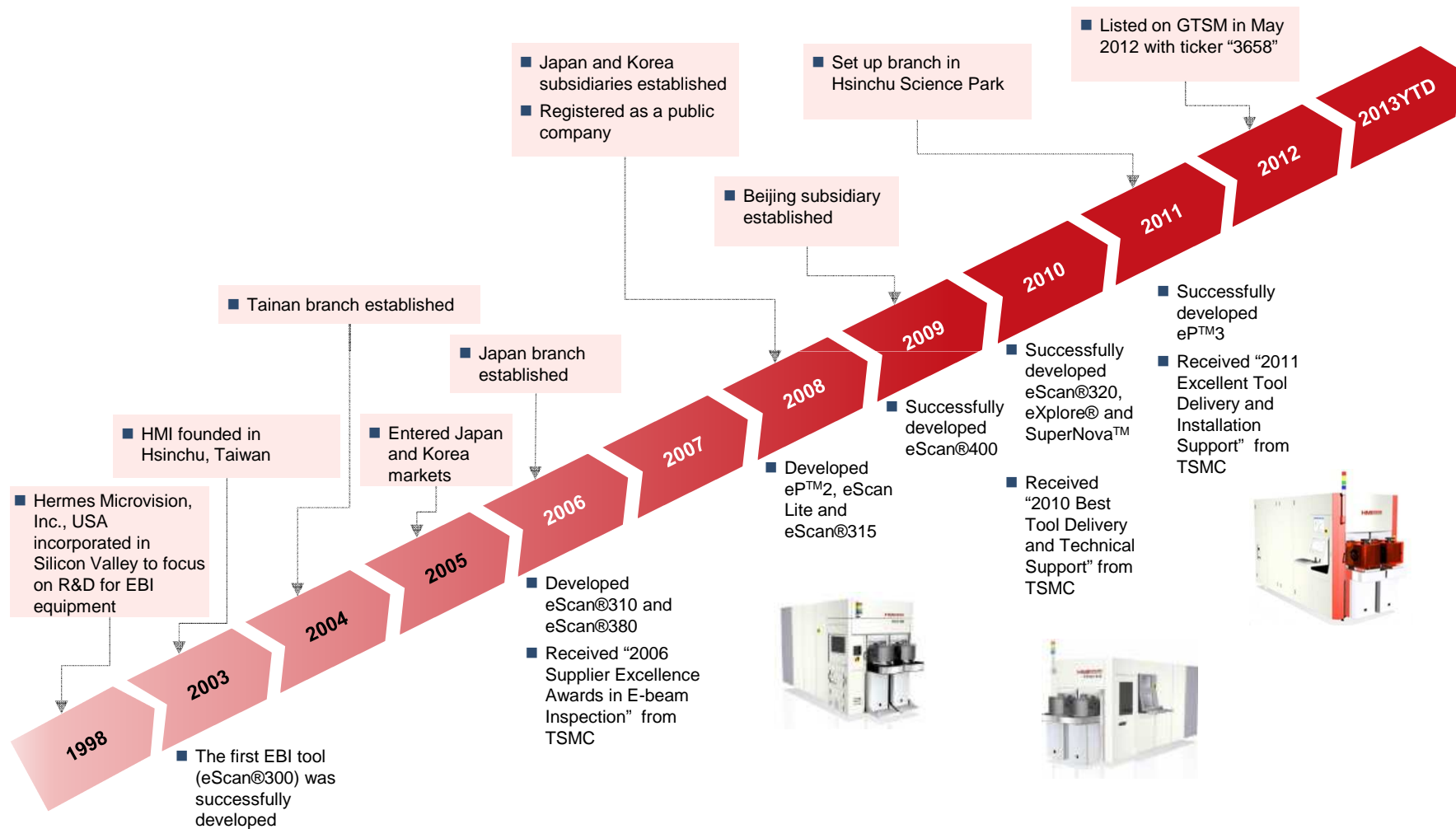
**[http://www.hermes-microvision.com/
investor@hermes-microvision.com](http://www.hermes-microvision.com/investor@hermes-microvision.com)**



APPENDIX



History and Key Milestones



Source: Company Filings

Summary Income Statement

NT\$mm, unless otherwise stated	2010	2011	2012	9 months ended, Sep. 30, 2012	9 months ended, Sep. 30, 2013
Total Revenue	1,545	2,678	4,180	3,032	3,902
<i>YoY Growth %</i>	17.8%	73.3%	56.1%	67.7%	28.7%
Gross Profit	951	1,808	2,981	2,142	2,744
<i>Margin %</i>	61.5%	67.5%	71.3%	70.7%	70.3%
Operating Expenses	(831)	(1,118)	(1,274)	(968)	(993)
<i>As % of Total Revenue</i>	(53.8)%	(41.8)%	(30.5)%	(31.9)%	(25.4)%
Operating Income	120	690	1,707	1,174	1,751
<i>Margin %</i>	7.8%	25.8%	40.8%	38.7%	44.9%
Net Income	251	654	1,520	1,032¹	1,645¹
<i>Margin %</i>	16.3%	24.4%	36.4%	34.0%	42.2%
Diluted EPS (NT\$)	6	11	23	16	25
<i>YoY Growth %</i>	NM	89.5%	116.1%	200.0%	52.2%

Source: Company Filings

¹ Profit for the period, excluding other comprehensive income.

Summary Balance Sheet

NT\$mm	2010	2011	2012	Sep. 30, 2012	Sep. 30, 2013
Cash and Cash Equivalents	743	612	2,776	2,113	3,647
Accounts Receivable – Third Parties	722	653	848	841	1,118
Inventories, Net	1,073	1,190	1,279	1,242	1,410
Total Current Assets	2,586	2,523	4,972	4,272	6,259
Property, Plant and Equipment	132	150	170	177	184
Total Assets	2,776	2,757	5,204	4,496	6,495
Short-term Loans	1,571	657	-	-	-
Provisions for Liabilities – Current	-	-	-	472	850
Total Current Liabilities	2,008	1,292	1,185	1,003	1,626
Other Liabilities	27	37	46	-	-
Total Liabilities	2,034	1,329	1,231	1,066	1,717
Total Stockholders' Equity	742	1,428	3,973	3,430	4,778
Total Liabilities and Stockholders' Equity	2,776	2,757	5,204	4,496	6,495

Source: Company Filings

Summary Cashflow Statement

NT\$mm	2010	2011	2012	9 months ended, Sep. 30, 2013
Depreciation & Amortization	46	52	63	45
Cash from Operations	(267)	821	1,854	1,719
Capex	(15)	(53)	(46)	(61)
Cash from Investing	(19)	(62)	(52)	(66)
Dividend	-	-	(264)	(792)
Cash from Financing	699	(902)	347	(790)

Source: Company Filings