



28 May 2015

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sirs,

CEO presentation at Annual General Meeting

We attach a copy of the presentation by Mr Danny Lewin, the CEO of Audio Pixels Limited in Israel presented by tele-conference at the Annual General Meeting of shareholders held today in Sydney.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ian Dennis', is written over the signature line.

Ian Dennis
Director



Presentation by Mr Danny Lewin, CEO of Audio Pixels Limited at the Annual General Meeting of Shareholders held on 28 May 2015

Good Morning,

I would first like to start by echoing Fred's sentiments in welcoming and thanking all our supporters, in particular those attending the meeting today. Unfortunately we were unable to physically join you this time as within the coming days we have a number of strategically important visitors to our labs here in Israel.

Overall this was a good year for Audio Pixels, the highlight of which is a long list of accomplishments that were achieved during the third-phase of the development. This phase, which by the way is not quite completed yet, has produced many remarkable results. By far the most significant of which is that we have successfully obtained the information needed to commence the fourth and final phase of the commercialization plan.

I would like to take a moment to refresh memories as to the four-phase plan. The commercialization or development plan (we use the terms synonymously) was devised to transform our playing prototype into a commercially viable mass produced product. While the functional prototype proved the principles of a working technology, the transition to a commercial product entailed an immense undertaking that necessitated changing many critical dimensions, the electrical addressing scheme, the functional algorithms, the assembly process, the package, the method and methodologies of testing, and of course the fabrication process of the MEMS chips.

The sheer magnitude and complexity of such an undertaking necessitated division of the many, many tasks into manageable parts. At the time Fred challenged us to devise a plan that of course achieves the technical requirements in the fastest most efficient manner possible; but the real challenge he posed was to produce an end result that is not a technology that can be produced - but a product that is produced.

The approach we took was to develop, debug and de-risk both the product and the mass fabrication process simultaneously. This meant we were essentially building the product from the ground up,



layer-by-layer, using mass production techniques; as apposed to developing prototype after prototype in a development lab. I mention this because we are aware that the natural tendency is to evaluate the results of any given development phase based upon the outcome of a newly produced generation of prototype. Our development plan isn't designed that way, we do not build subsequent generations of prototypes, and therefore the outcome of each development phase needed to be evaluated differently.

As has been reported, the third phase entailed receipt of completed MEMS structures with all its functional layers. The structures were meticulously and exhaustively tested and measured. We took tens of millions micro scale measurements, many of which demand synchronized precision measured in nanoseconds. We quite recently produced all the prerequisites required in order to commence the fourth and final phase of the development plan.

A short while ago we also offered the public but a glimpse as to projected performance of the final product, having released some of the measurements that were conducted throughout the audible frequency spectrum. The published measurements establish that "pound for pound", Audio Pixels' loudspeakers deliver on its promise: to provide performance that is far superior to any other speaker technology available, providing significantly broader bandwidth, in particular in lower frequencies which are far more difficult to attain.

During this period we also received and evaluated a first silicon run of our ASIC driver. This proprietary marvel, which will be integrated into a single package together with the MEMS chip, provides the most seamless path possible for customer product adoption. For example the chip allows customers to operate our speakers using any voltage available in their target devices, from the smallest of power constrained mobile devices to the largest of loudspeaker systems. The ASIC also incorporates advanced features such as the ability to monitor the functional status of each and every pixel and use that information to revise the instruction set. This innovation allows the loudspeaker to appropriately deal with, and adjust to, the real time health status of the loudspeaker, dramatically reducing sensitivity to pixel yield while maximizing the speakers' performance throughout its lifecycle.



Our team consists of super bright and exceptionally talented individuals who all work very hard to achieve perfection in each and every thing they do. Yet despite the talent and dedication some setbacks are inevitable, especially when it involves developing and using ground breaking, cutting-edge technologies such as ours. This is precisely why the commercialization plan was segmented into four phases (rather than three). The primary objectives of this phase, beyond obtaining the critical information required for the subsequent phase, was to root out potential fail points in both the design and the fabrication process. This follows best practice methodologies applied throughout the semiconductor industry.

We are currently focused on commencing the fourth and final phase of the plan. This phase applies all the accumulated knowledge toward fabricating a completed, functioning MEMS structure, produced using mass production equipment and lines that will be integrated with the ASIC into a single chip package - effectively forming a first generation of devices. These devices are targeted to at minimum serve our customers throughout their evaluation and design-win process. Our vendors are still in the midst of compiling the necessary details to forecast scheduling which we intend to share with our shareholders once we have better visibility as to the forecasted timelines.

A few words about demonstrations: In almost all cases loudspeaker companies are judged and valued based on the perceived sound quality. More simply put quality speaker brands command far higher premiums than lesser ones; and given a choice, consumers will always choose the highest quality speaker / brand they can afford. With this in mind the directors and management of Audio Pixels have committed the company to a cohesive strategy that not only produces a game changing technology but also paves the way to generate high-demand for a premium product.

To preserve and maximize our opportunities to sell billions of units a year we are careful to avoid the temptation of being drawn into an endless cycle of self-promotion. **Our goal is not to prove to the world just how awesome our technology is, rather to demonstrate our capacity to supply a product possessing the incredible benefits that drive customer demand.**

Therefore at this time we are limiting demonstrations to select audiences of strategic value that possess the necessary expertise to assess the underlying technologies. As mentioned phase-three activities have been temporarily suspended in favour of getting a jump-start on phase- four. Once



this is behind us we will revert our attention back to a number of tasks we still hope to accomplish within the third phase of development. These efforts may or may not include the production of demonstrable samples, but it is safe to say that any public demonstration of our technology, in particular our inaugural demonstrations, will first and foremost seek to impress rather than satisfy interim curiosities.

As one can imagine there has been a tremendous increase in interest in our technology, since we announced the measurement results. I have personally fielded countless conversations with shareholders, investors, bankers, brokers, analysts, partners, vendors, media, and of course customers. Everyone wants to know what we are doing, how we are doing it, when will it be available, basically every detail they can possibly extract.

It is important remember that there are many billions of dollars at stake attracting the attention of both obvious and not so obvious competitors. We would be naive and irresponsible if we were to dismiss such competitive threats. This necessitates a restrained approach to information sharing. We do understand the frustration in this, but hope there is an appreciation that the underlying motive is to preserve the best interests of the company and its shareholders.

Yuval, Shay and I will remain on the line to answer your technical questions.

Danny Lewin
CEO
Audio Pixels Limited