



Taiwan Cement Corporation

2Q/2016 Investors' Conference

Aug. 18, 2016

Disclaimer

The forward-looking statements contained in this presentation are subject to risks and uncertainties and actual results may differ materially from those expressed or implied in these forward-looking statements.

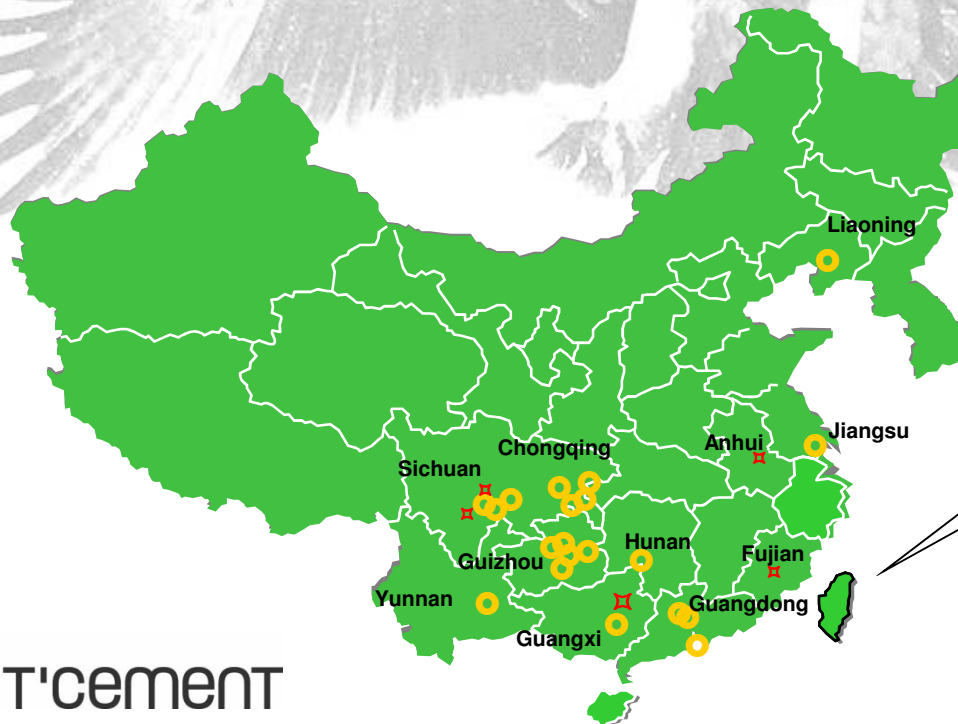
Taiwan Cement Corporation makes no representation or warranty as to the accuracy or completeness of these forward-looking statements and nor does Taiwan Cement Corporation undertake any obligation to update any forward-looking statements, whether as a result of new information or future events.

Agenda

- **Company Snapshot**
- Key catalysts
- 2Q/2016 Financial Results
- Production Capacity in China

Company Snapshot

Established in Taiwan	May, 1946	Production Capacity by 2016 (MM tons)			
Headquarter	Taipei, Taiwan	Taiwan	China	total capacity	
IPO in TWSE	February, 1962	clinker capacity	9.5	48.5	58.0
number of outstanding shares	3,692.2 million	equivalent to cement capacity	10.4	58.6	69.0
closed price (NTD/share)	35.0	grinding capacity	-	6.7	6.7
Market cap (as of Aug/12/2016)	NTD 129.23 billion USD 4,115 million (USD/NTD=31.40)	total cement capacity	10.4	65.3	75.7
Number of employees as of June/30/2016	Taiwan: 842 China: 8,599				



- Cement production
- RMC production
- ★ Research lab
- ✚ Port facility
- ✚ Power production
- ✚ Slag powder production



Agenda

- Company Snapshot
- **Key catalysts**
- 2Q/2016 Financial Results
- Production Capacity in China

Key catalysts for cement in 2H16

Demand

Infrastructure for 1H, while residential property for 2H



Supply

325 product phase out plan becomes more concrete

Cost

Even with coal price rising in 1H16, our procurement advantage remains

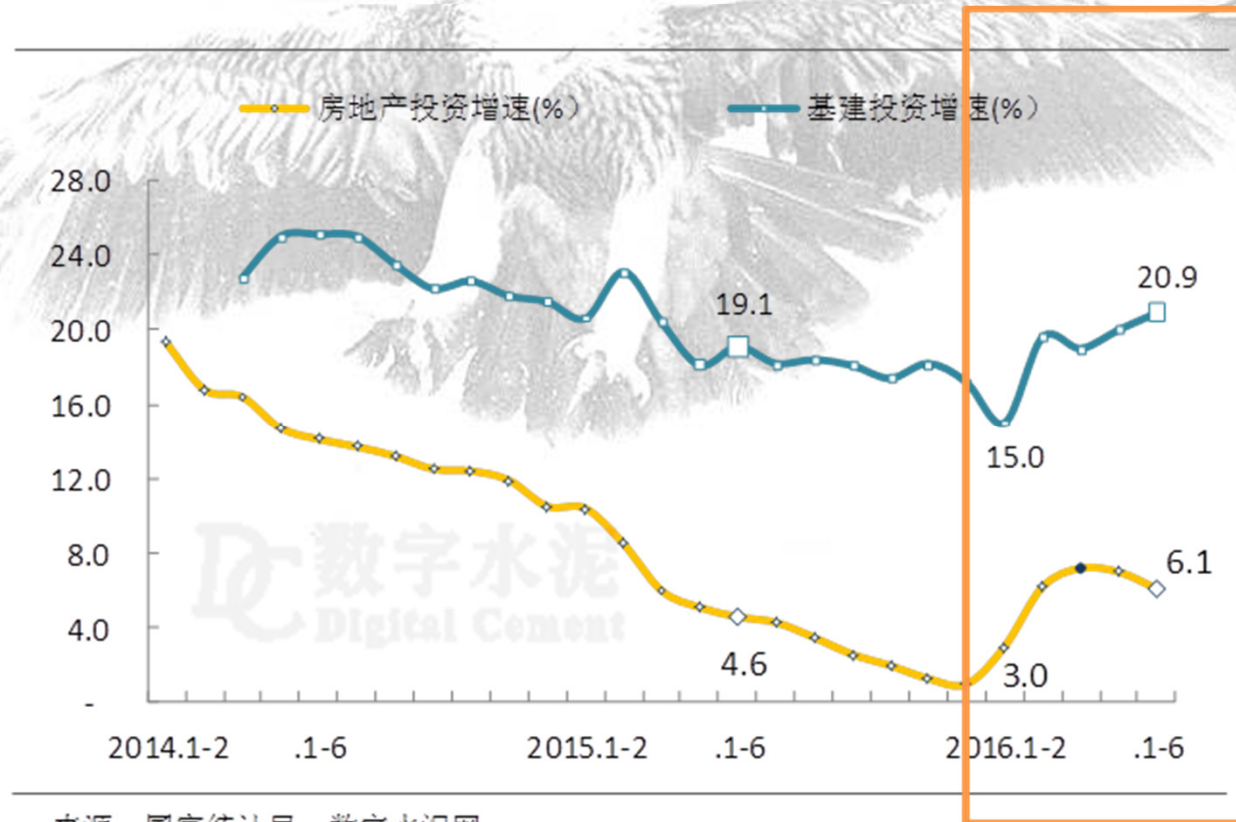
Taiwan

Anti-dumping clause expects to remain



Strong infrastructure spending supports 1H demand

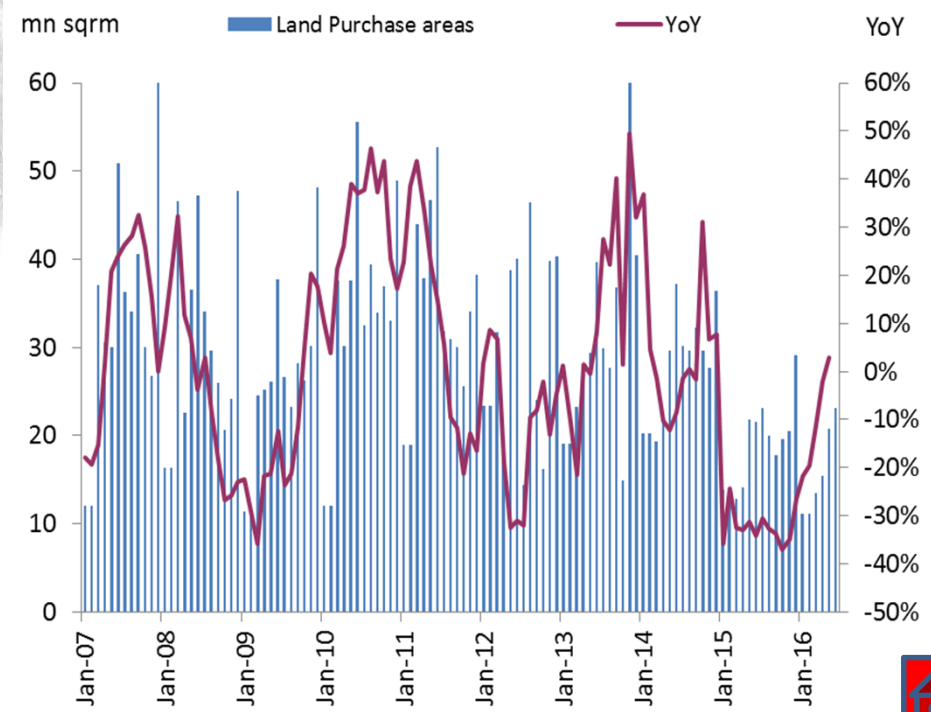
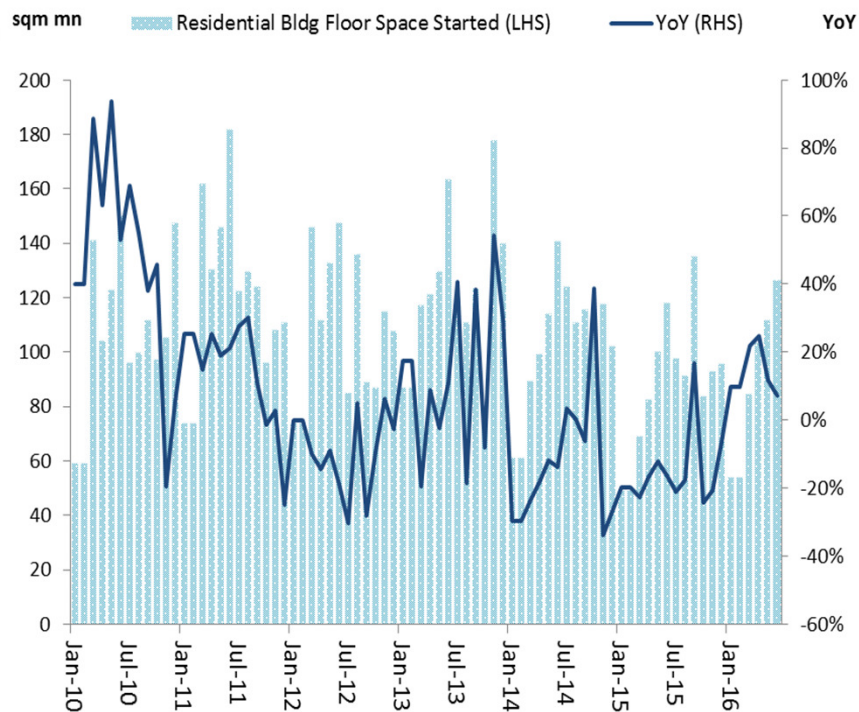
- Among this, mining investment of RMB422.5 bn is 19.7% yoy decline, while infrastructure FAI of RMB 4,908.5 bn is 20.9% yoy increase. We believe this means potential green field capacity expansion is close to the end, and demand/supply situation is moving toward a better balance.



来源：国家统计局、数字水泥网

While residential property might be the next catalyst in 2H

- According to NBS, 1H2016 residential building floor space started increased 13.9% yoy to 534 mn sqm.
- Meanwhile, monthly land purchase areas also stopped its 16 months decline and started to show yoy increase since March 2016.



Key catalysts for TCC

Golden Cross

GPT and Sales volume both have exceeded last year's level



Carbon capture

Green business opportunities



Leverage mobile IT to improve management efficiency

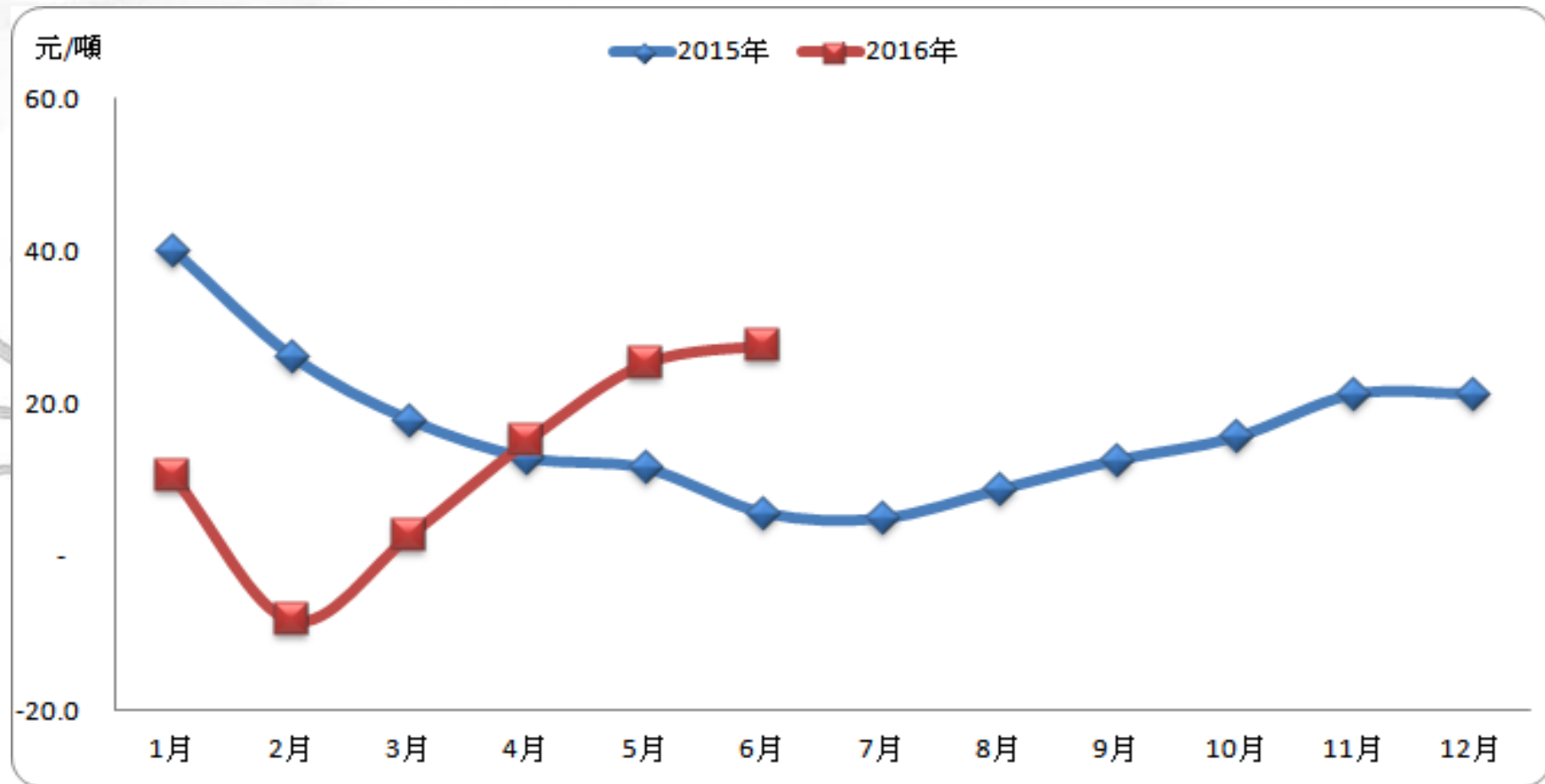


MSW co-processing

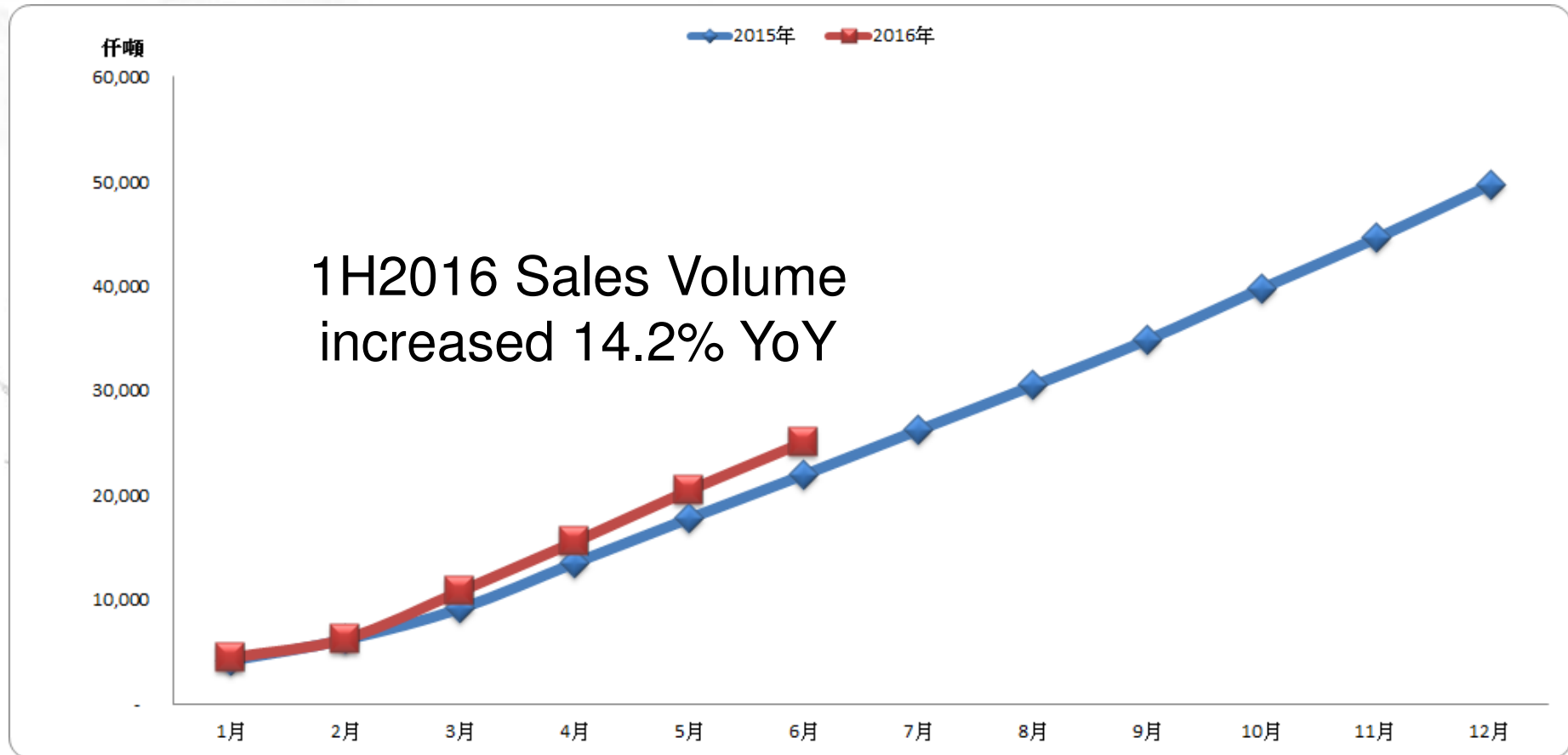
This is not only a value added service, but also a future trend.



Golden Cross-GPT



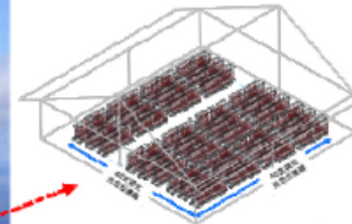
Golden Cross-Sales Volume



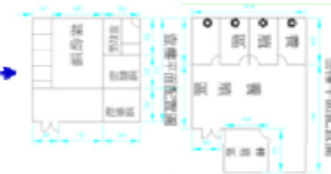
Green business opportunities

- TCC worked with ITRI to not only further reduce the carbon emission through calcium looping system, but also use the captured CO₂ to develop chlorella, especially high value added ones, i.e. **haematococcus pluvialis** (雨生紅球藻)
- Haematococcus pluvialis is a freshwater species, which is well known for its high content of the strong antioxidant **astaxanthin** (蝦紅素), which is important in aquaculture, and cosmetics. In April 2009, the United States FDA approved astaxanthin as an additive for fish feed as a component of a stabilized color additive mixture.
- The primary use of astaxanthin for humans is as a food supplement. Research shows that, due to astaxanthin's potent antioxidant activity, it may be beneficial in cardiovascular, immune, inflammatory and neurodegenerative diseases. In addition to the compound's powerful anti-inflammatory and anti-oxidative capabilities, evidence indicates that astaxanthin has the potential to modulate aging.
- **TCC is working with ITRI for potential business opportunities to commercialize this research, while total investment is small (i.e. NTD100-200mn), the potential benefit could be significant.**

Green business opportunities



公頃級兩生紅球藻
養殖示範系統
(50 m x 200 m)



室內兩生紅球藻生
產養殖系統
(1~3樓)

CCS 示範廠
(40 m x 70 m)



微藻養殖示範場
(20 m x 30 m)





TCC 2015 CSR report

- All the information regarding our energy consumption, carbon emission...etc, and all the measures we take to maintain our sustainable growth and to protect the environment/community we live in, are available on line now! Please feel free to visit our website and download.

(<http://www.taiwancement.com/csr/>)



台泥官网



台泥CSR专区



台泥CSR报告书下载

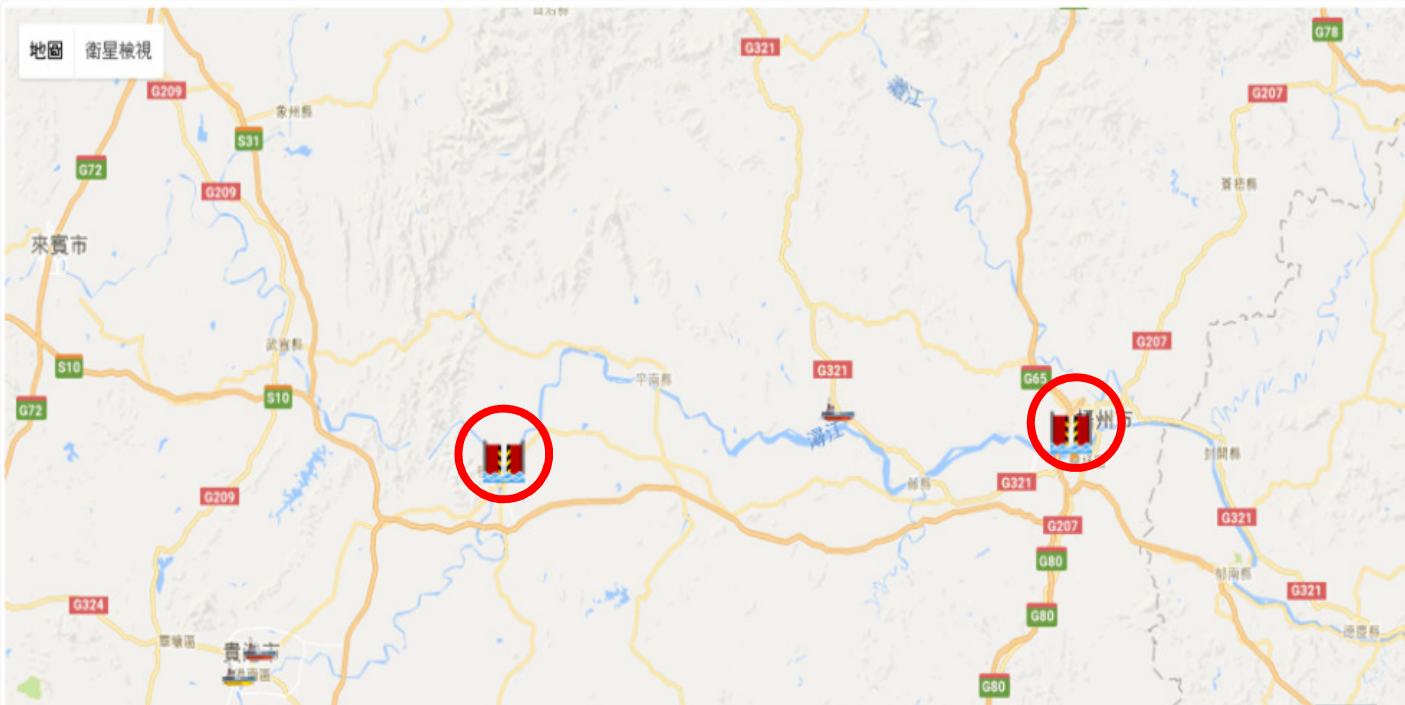


Creative apps to improve management efficiency

- For example, our GPS on each ship is not only help to track the routes, but also can apply to a flexible shipping tariff, in order to increase the turnover.
- Our hourly sales volume tracking system in each plant can also help to better gauge the market D/S situation, so as to adjust the price mechanism.

廠別: 貴港 狀態: 碼頭-往平南 關閉

任務ID	船名	備註
17911	貴港和順968	
17941	明珠988	漂船
17945	港宏2228	



More value added services - MSW co-processing



- Taiwan Cement's Anshun plant is ramping up our first waste management project in China by 2015 year-end, to work with local government to help handle the household refuse.
- Not only this project itself is a positive IRR project, but also we believe this would lead to the next step for all the cement plants – incinerators.
- Our experience in Taiwan - Suao plant has 10% of its earnings contributed from handling the industrial wastes. We see this would also be the trend in China in the next decade.

Agenda

- Company Snapshot
- Key catalysts
- **2Q/2016 Financial Results**
- Production Capacity in China

2Q/2016 Results Highlights

(In NT millions except otherwise noted)

	<u>2Q/16</u>	<u>1Q/16</u>	<u>2Q/15</u>	<u>QoQ/%</u>	<u>YoY/%</u>
Net Sales_Cement (Taiwan + China)	15,808	12,567	16,103	25.8	(1.8)
EBITDA Cement (Taiwan + China)	2,841	1,220	2,004	132.9	41.7
Gross Margin (%) (Taiwan + China)	14.4%	5.9%	9.6%	8.5	4.8
Net Income⁽¹⁾	2,004	221	2,243	806.8	(10.7)
EPS (NT\$)	0.54	0.06	0.61	0.48	(0.06)
ROE (%)	1.9%	0.8%	2.1%	1.1	(0.2)
ROA (%)	1.0%	0.1%	0.9%	0.9	0.1
Total Assets	268,777	278,830	299,879	(3.6)	(10.4)
Total Liabilities	122,004	124,080	148,913	(1.7)	(18.1)
Total Shareholders' Equity	102,334	107,709	109,626	(5.0)	(6.7)
Free Cash Flow⁽²⁾	3,728	4,084	2,246	(8.7)	66.0

(1) Attributable to shareholders of the parent company

(2) Free Cash Flow = Operating Cash Flow - CAPEX - L/T Investment

1H/2016 Results Highlights

(In NT millions except otherwise noted)

	1H/16	1H/15	YoY/%
Net Sales_Cement (Taiwan + China)	28,376	30,520	(7.0)
EBITDA Cement (Taiwan + China)	4,061	4,279	(5.1)
Gross Margin (%) (Taiwan + China)	11.7%	11.6%	0.1
Net Income ⁽¹⁾	2,225	3,052	(27.1)
Basic EPS (NT\$)	0.60	0.83	(27.1)
ROE (%)	2.2%	2.8%	(0.6)
ROA (%)	1.0%	1.3%	(0.3)
Total Assets	268,777	299,879	(10.4)
Total Liabilities	122,004	148,913	(18.1)
Total Shareholders' Equity	102,334	109,626	(6.7)
Free Cash Flow ⁽²⁾	7,812	6,487	20.4

(1) Attributable to shareholders of the parent company

(2) Free Cash Flow = Operating Cash Flow - CAPEX - L/T Investment

2Q/2016 Statement of Comprehensive Income

<i>(In NT millions except otherwise noted)</i>	<u>2Q/16</u>	<u>1Q/16</u>	<u>2Q/15</u>	<u>QoQ/%</u>	<u>YoY/%</u>
Net Sales	22,942	17,724	24,994	29.4	(8.2)
COGS	17,881	16,138	21,077	10.8	(15.2)
Gross Profit	5,061	1,586	3,917	219.1	29.2
Gross Margin	22.1%	8.9%	15.7%	13.2	6.4
Operating Expense	1,291	1,102	1,000	17.2	29.1
Operating Income	3,770	484	2,917	678.9	29.2
Operating Margin	16.4%	2.7%	11.7%	13.7	4.7
Non-operating Income	(302)	(206)	325	46.6	(192.9)
Income before Tax	3,468	278	3,242	1147.5	7.0
Income Tax Expense	(759)	(183)	(515)	314.8	47.4
Net Income	2,709	95	2,727	2751.6	(0.7)
Net Margin	11.8%	0.5%	10.9%	11.30	0.90

1.Consolidated Statement of Comprehensive Income

2Q/2016 Statement of Comprehensive Income

<i>(In NT millions except otherwise noted)</i>	<u>2Q/16</u>	<u>1Q/16</u>	<u>2Q/15</u>	<u>QoQ/%</u>	<u>YoY/%</u>
Net Income	2,709	95	2,727	2,751.6	(0.7)
Other comprehensive income	(3,473)	(829)	(2,139)	318.9	62.4
Total comprehensive income	(764)	(734)	588	4.1	(229.9)
Net Income attributable to					
Owners of the Company	2,004	221	2,243	806.8	(10.7)
Non-Controlling Interests	705	(126)	484	659.5	45.7
Total	2,709	95	2,727	2,751.6	(0.7)
Total Comprehensive Income					
Owners of the Company	(464)	(334)	512	38.9	(190.6)
Non-Controlling Interests	(300)	(400)	76	25.0	(494.7)
Total	(764)	(734)	588	4.1	(229.9)
Basic EPS (NT\$)	0.54	0.06	0.61	806.7	(10.7)

1.Consolidated Statement of Comprehensive Income

1H/2016 Statement of Comprehensive Income

(In NT millions except otherwise noted)

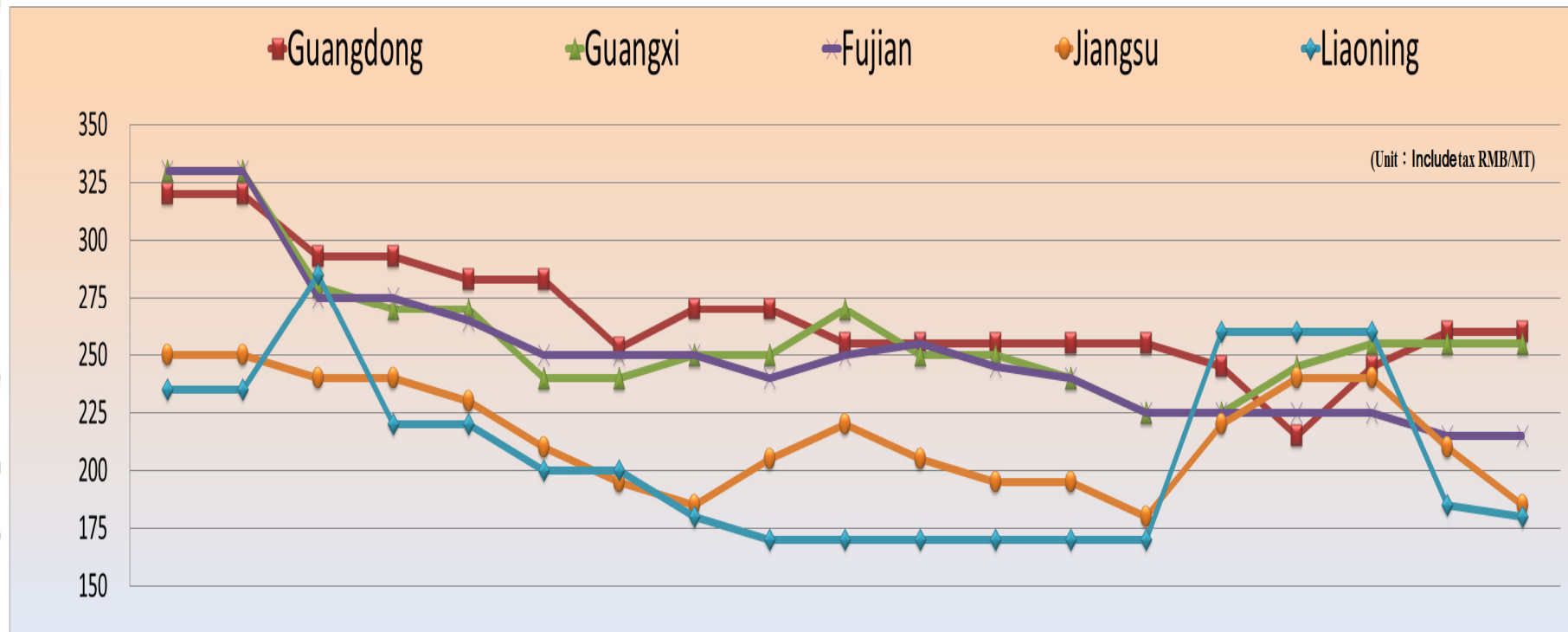
	1H/2016	1H/2015	YoY/%
Net Sales	40,666	46,434	(12.4)
COGS	34,019	39,656	(14.2)
Gross Profit	6,647	6,778	(1.9)
Gross Margin	16.3%	14.6%	1.7
Operating Expense	2,392	2,167	10.4
Operating Income	4,255	4,611	(7.7)
Operating Margin	10.5%	9.9%	0.6
Non-operating Income/(Expense)	(509)	101	(604.0)
Income before Tax	3,746	4,712	(20.5)
Income Tax Expense	(943)	(1,010)	6.6
Net Income	2,803	3,702	(24.3)
Net Margin	6.9%	8.0%	(1.1)

1H/2016 Statement of Comprehensive Income

(In NT millions except otherwise noted)

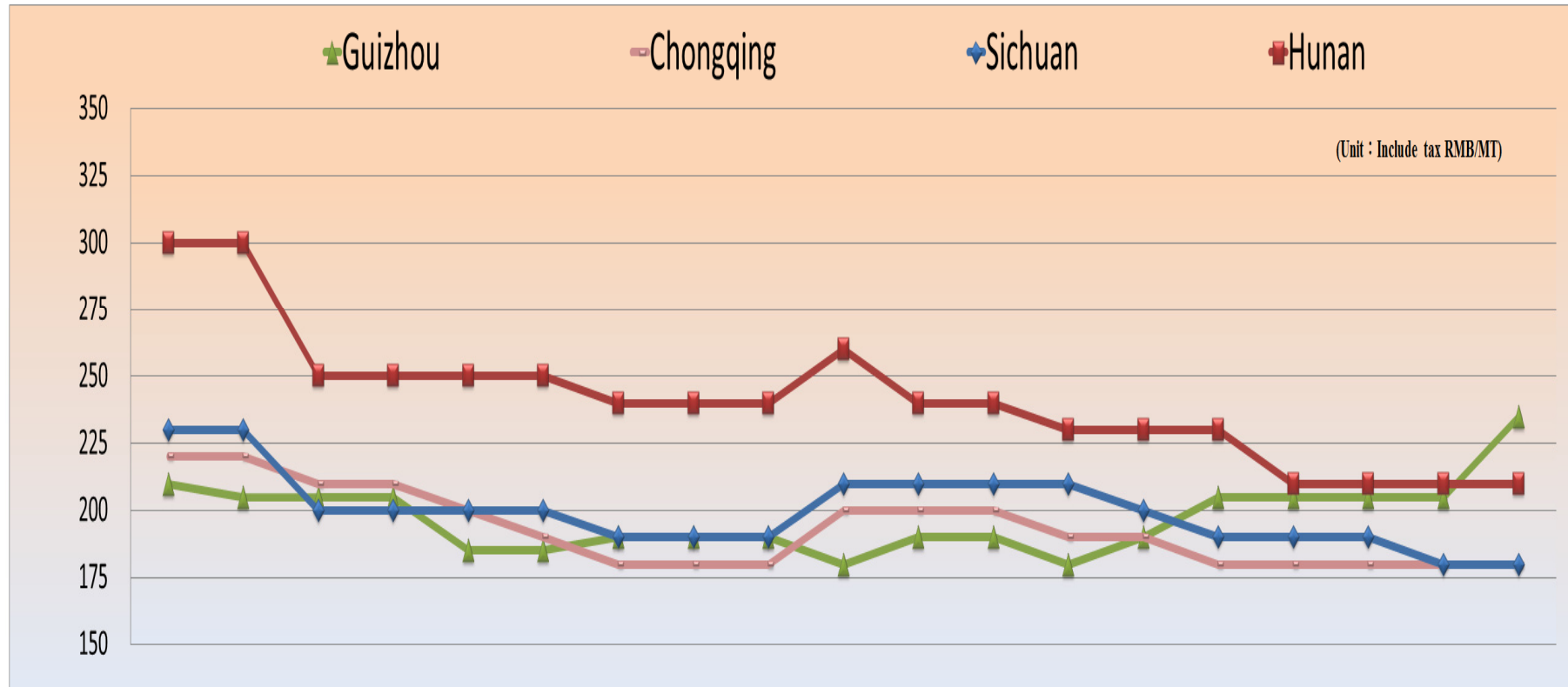
	1H/2016	1H/2015	YoY/%
Net Income	2,803	3,702	(24.3)
Other comprehensive income(loss)	(4,301)	(2,911)	47.7
Total comprehensive income	(1,498)	791	(289.4)
Net Income attributable to			
Owners of the Company	2,225	3,052	(27.1)
Non-Controlling Interests	578	650	(11.1)
Total	2,803	3,702	(24.3)
Total Comprehensive Income			
Owners of the Company	(798)	861	(192.7)
Non-Controlling Interests	(700)	(70)	900.0
Total	(1,498)	791	(289.4)
Basic EPS (NT\$)	0.60	0.83	(27.1)

China PO.42.5 Cement Price by District



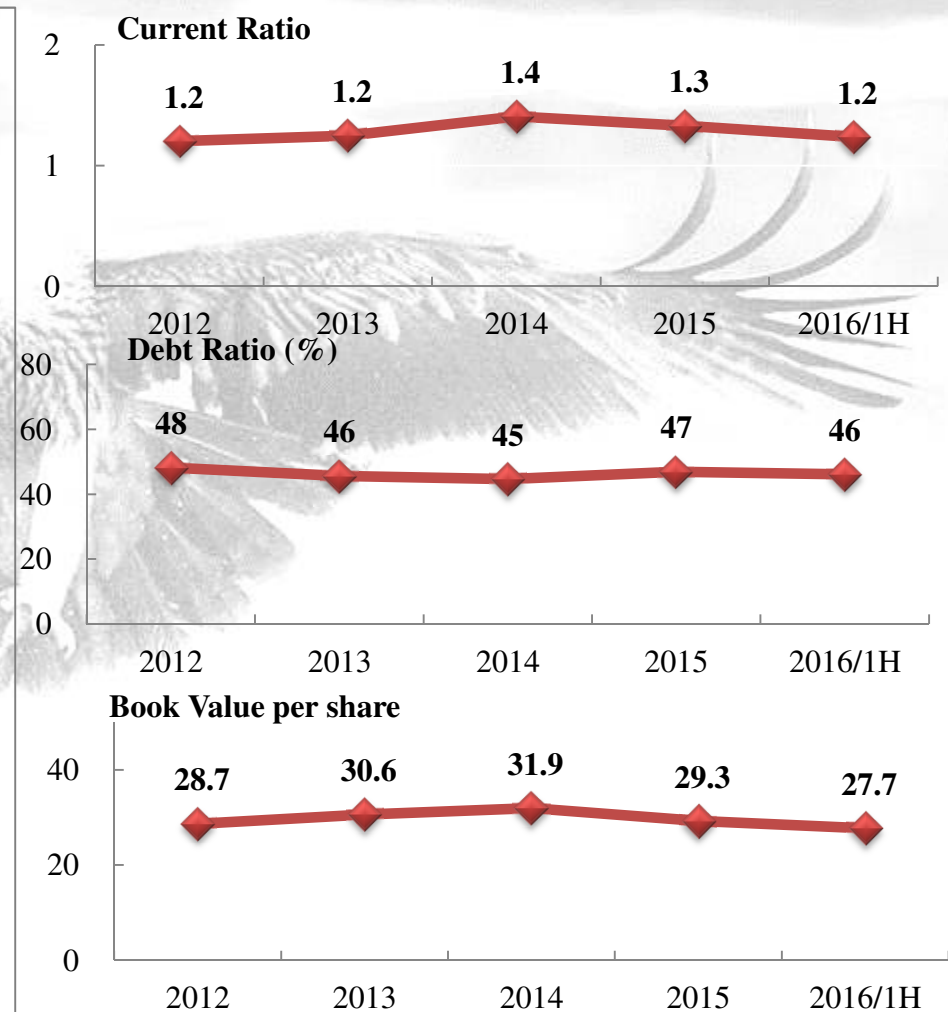
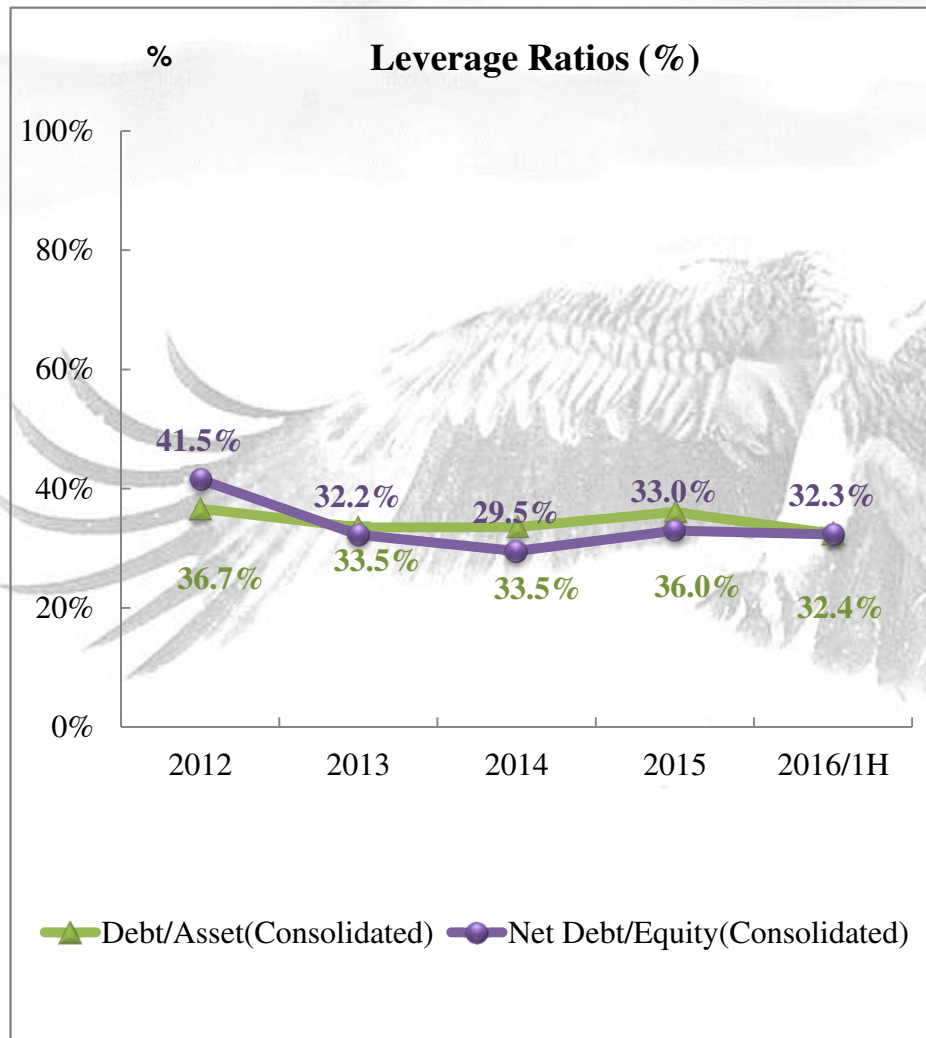
District \ Period	2015												2016						
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Guangdong	320	320	293	293	283	283	253	270	270	255	255	255	255	255	245	215	245	260	260
Guangxi	330	330	280	270	270	240	240	250	250	270	250	250	240	225	225	245	255	255	255
Fujian	330	330	275	275	265	250	250	250	240	250	255	245	240	225	225	225	225	215	215
Jiangsu	250	250	240	240	230	210	195	185	205	220	205	195	195	180	220	240	240	210	185
Liaoning	235	235	285	220	220	200	200	180	170	170	170	170	170	170	260	260	260	185	180

China PO.42.5 Cement Price by District



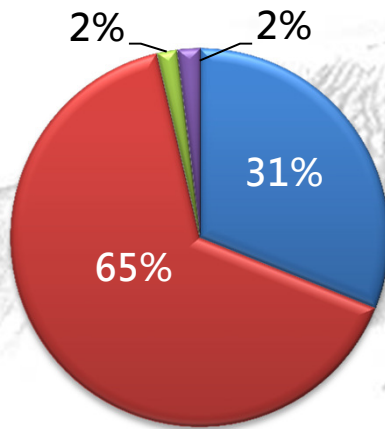
District \ Period	2015												2016						
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Guizhou	210	205	205	205	185	185	190	190	190	180	190	190	180	190	205	205	205	205	235
Chongqing	220	220	210	210	200	190	180	180	180	200	200	200	190	190	180	180	180	180	180
Sichuan	230	230	200	200	200	200	190	190	190	210	210	210	210	200	190	190	190	180	180
Hunan	300	300	250	250	250	250	240	240	240	260	240	240	230	230	230	210	210	210	210

Solid Financial Structure

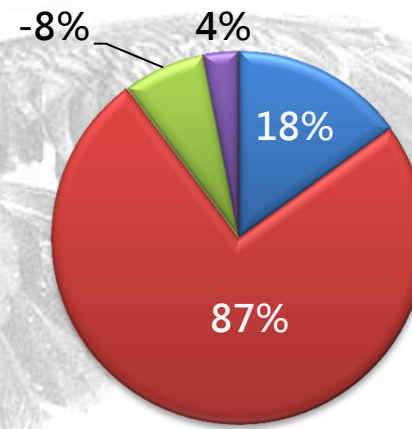


Profit by Segment

2Q 2016



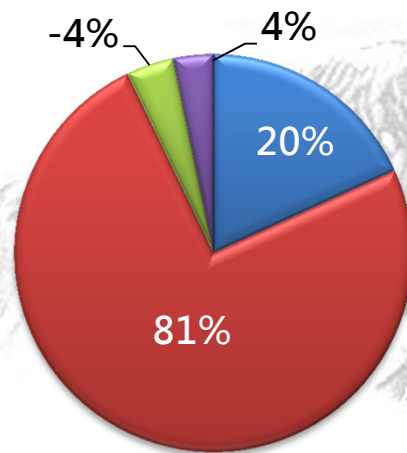
2Q 2015



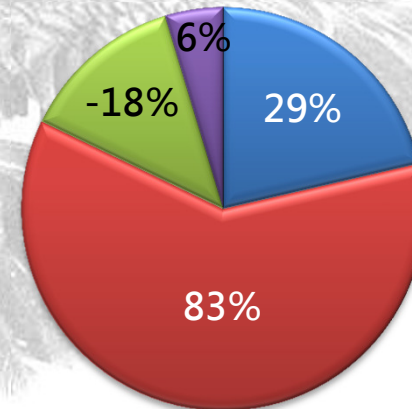
■ cement ■ power ■ chemical ■ others

Profit by Segment

1H 2016



1H 2015



■ cement ■ power ■ chemical ■ others

Agenda

- Company Snapshot
- Key catalysts
- 2Q/2016 Financial Results
- **Production Capacity in China**

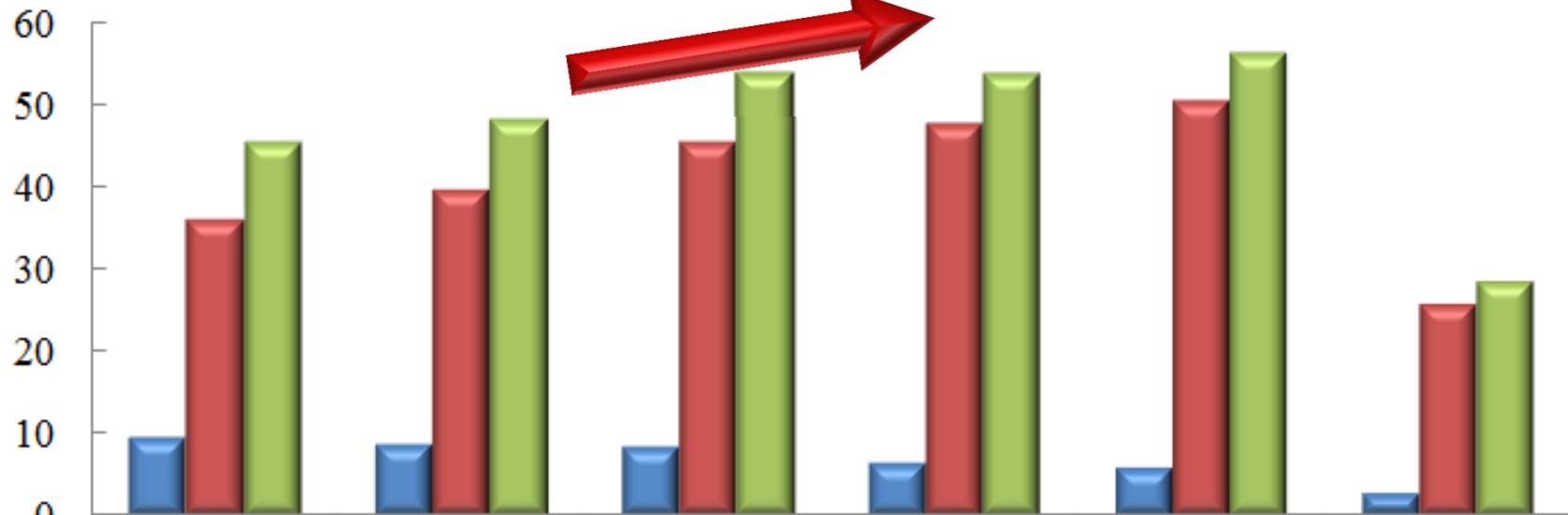
Sales Volume in Recent 5 Years

Cement, Clinker, and Slag Shipments

PRC CAGR 8.8 %

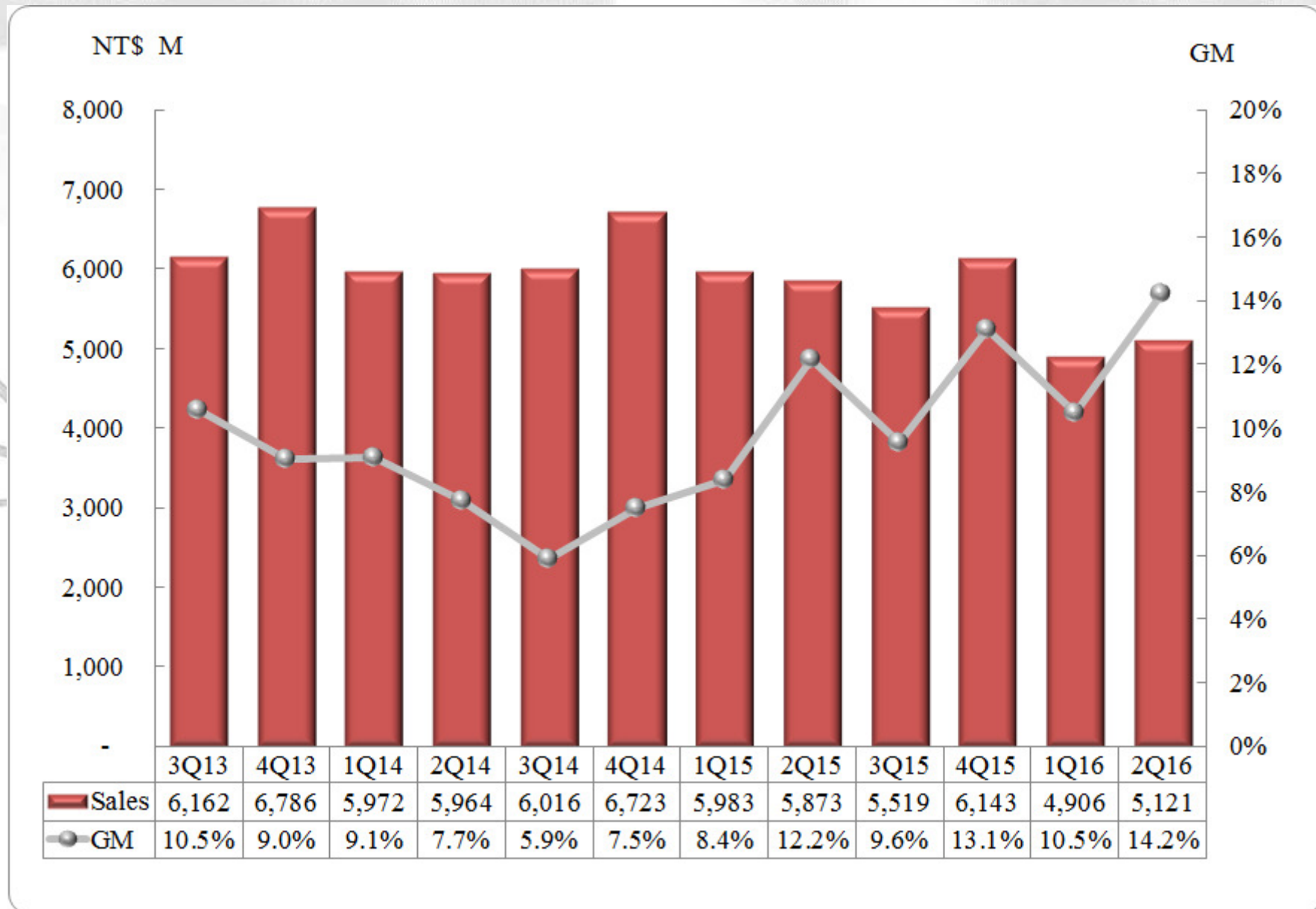
(from year 2011 to 2015)

MN tons



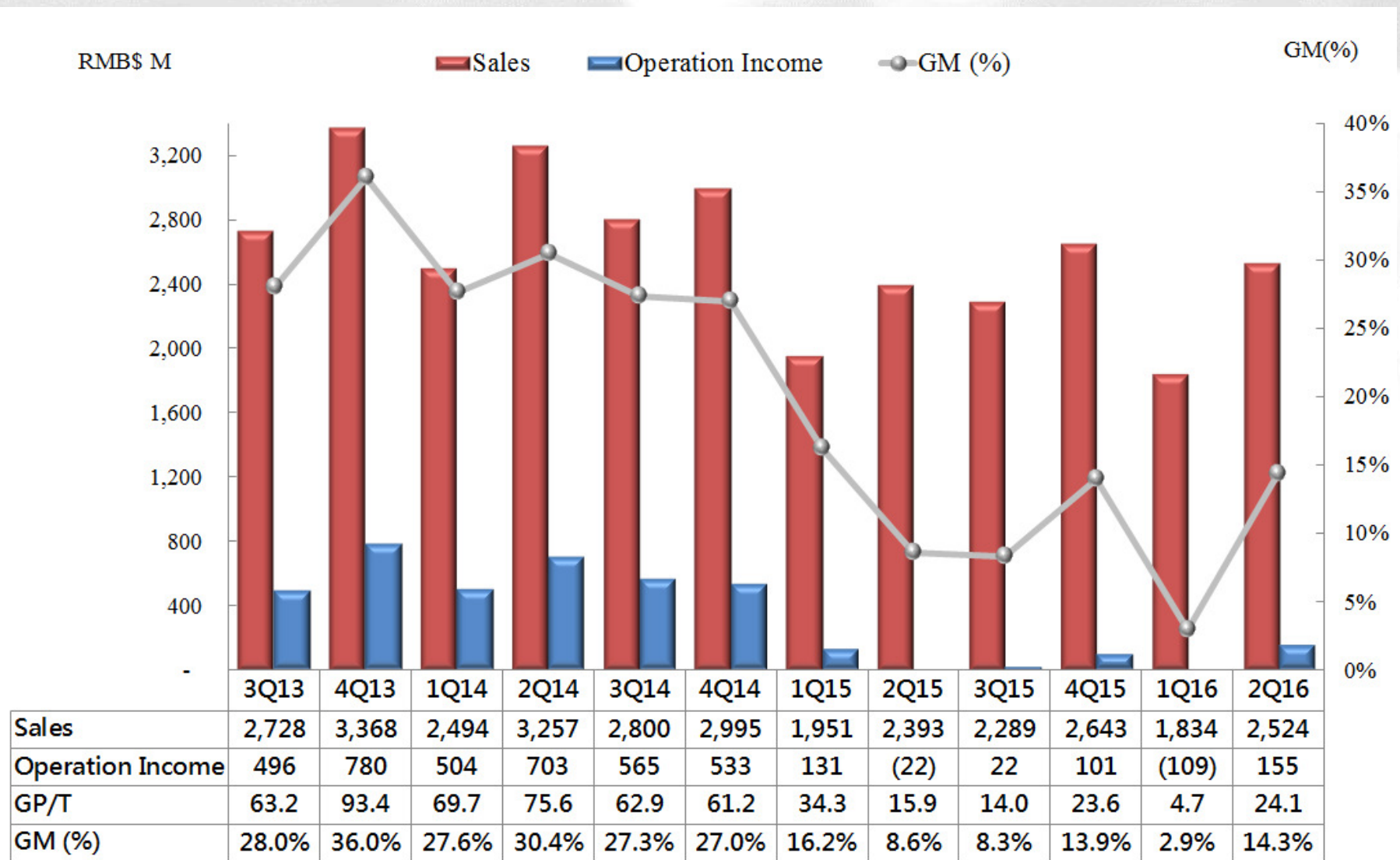
	2011	2012	2013	2014	2015	1H/16
■ Taiwan	9.6	8.6	8.5	6.3	5.9	2.8
■ PRC	36.0	39.7	45.5	47.7	50.4	25.8
■ Total	45.6	48.3	54.0	54.0	56.3	28.6

Sales / GM – Taiwan Cement Division

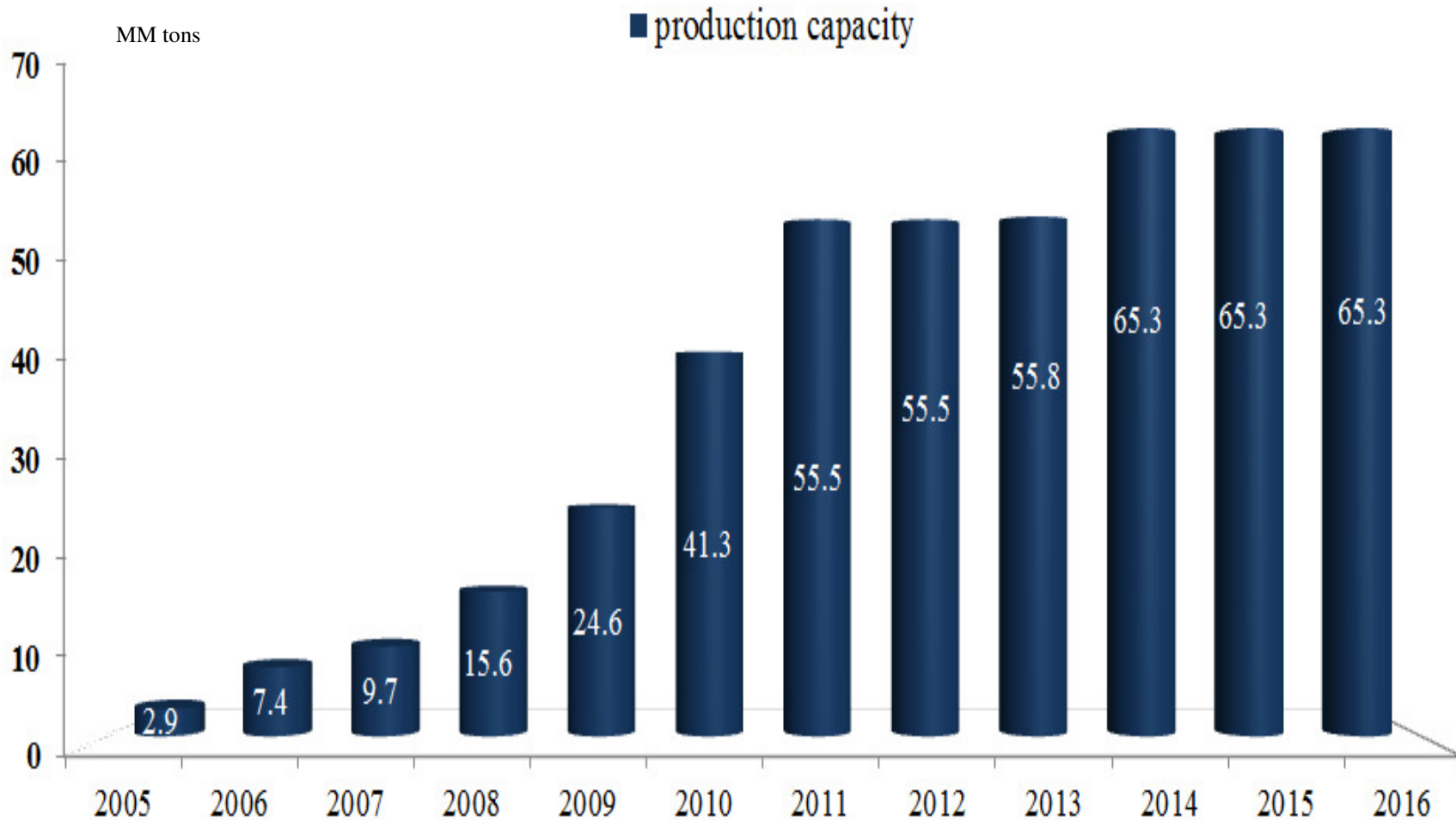


UNITED CEMENT

Sales / GM – China Cement Division



China Capacity Rapidly Expanded

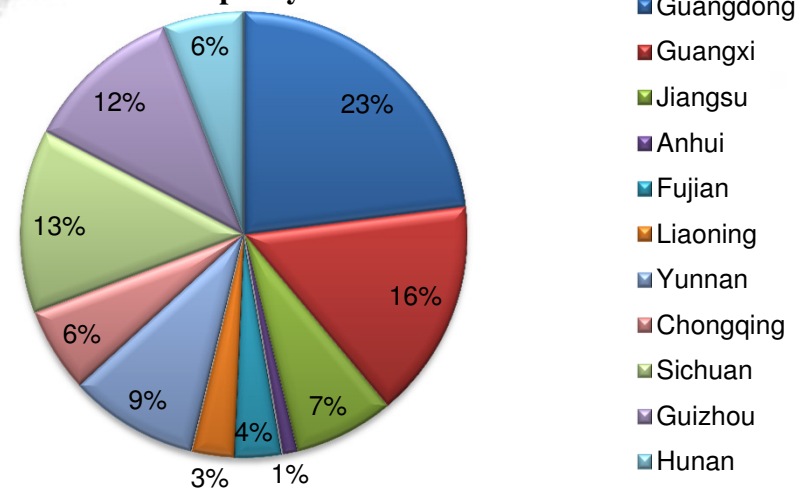


Capacity Allocation by Regions

MM tons

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Guangdong	0.0	4.5	4.5	9.0	9.0	15.3	15.0	15.0	15.0	15.0	15.0	15.0
Guangxi	0.7	0.7	0.7	1.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Jiangsu	0.0	0.0	2.3	2.3	2.3	4.5	4.5	4.5	4.8	4.8	4.8	4.8
Anhui	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Fujian	1.5	1.5	1.5	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Liaoning	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Yunnan	0.0	0.0	0.0	0.0	0.0	4.2	4.2	4.2	4.2	6.2	6.2	6.2
Chongqing	0.0	0.0	0.0	0.0	0.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0
Sichuan	0.0	0.0	0.0	0.0	0.0	0.0	6.3	6.3	6.3	8.7	8.7	8.7
Guizhou	0.0	0.0	0.0	0.0	0.0	0.0	6.2	6.2	6.2	7.5	7.5	7.5
Hunan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8	3.8	3.8
total	2.9	7.4	9.7	15.6	24.6	41.3	55.5	55.5	55.8	65.3	65.3	65.3

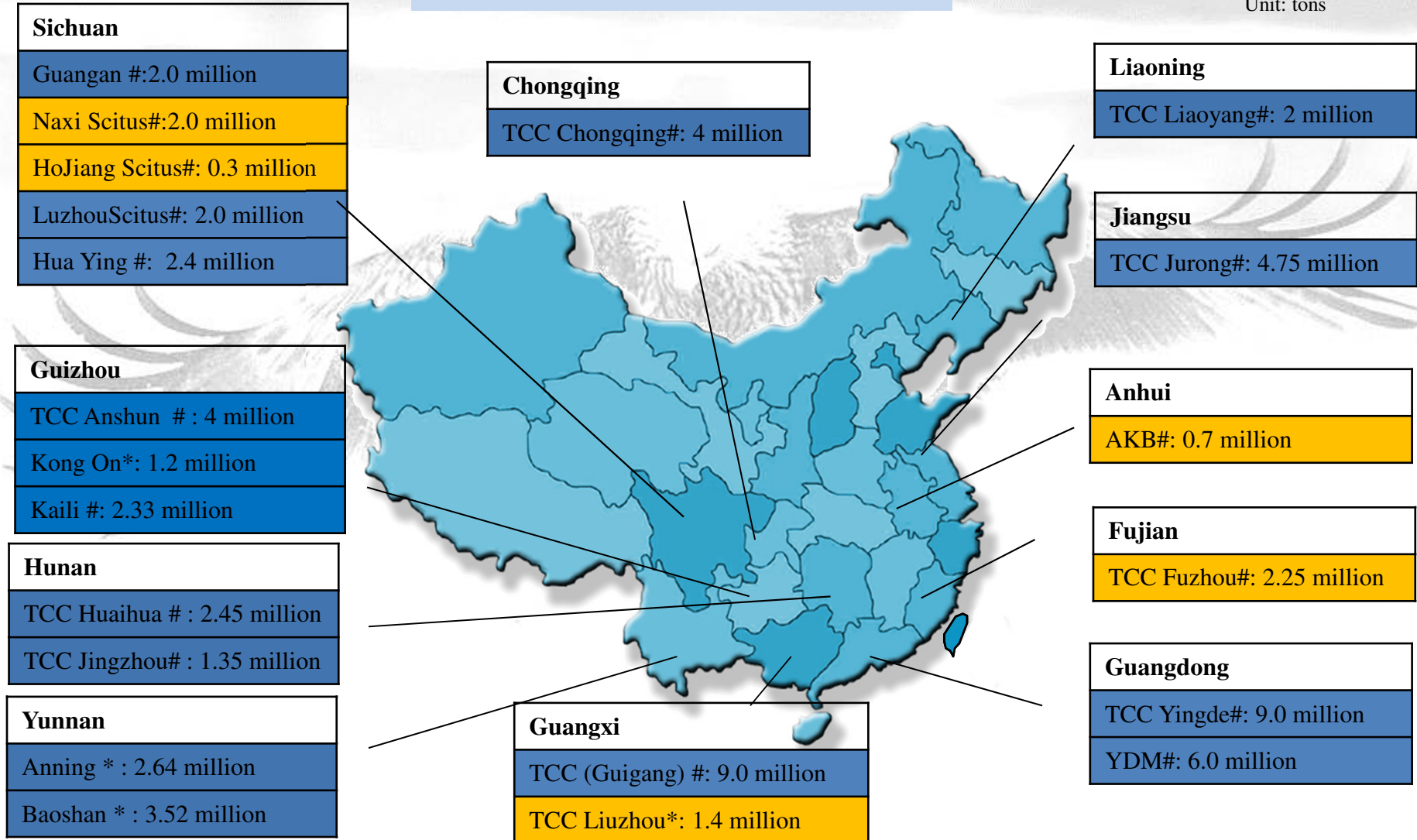
2016 capacity allocation



2016 Capacity Allocation

Now: 65.3 million tons

Unit: tons



#Subsidiary

*Associate

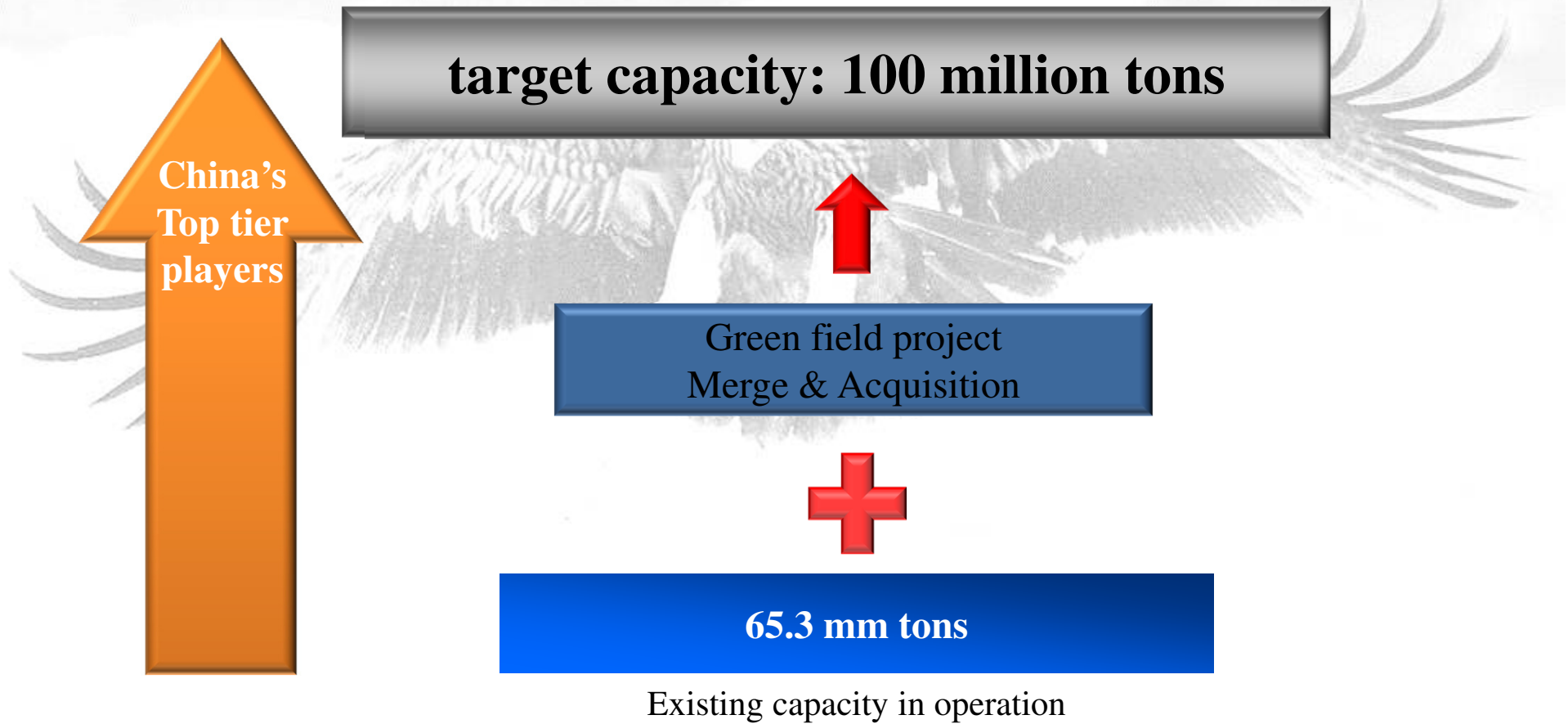
■ Cement Capacity

■ Grinding Capacity

FY2015 Ranking 7th in China

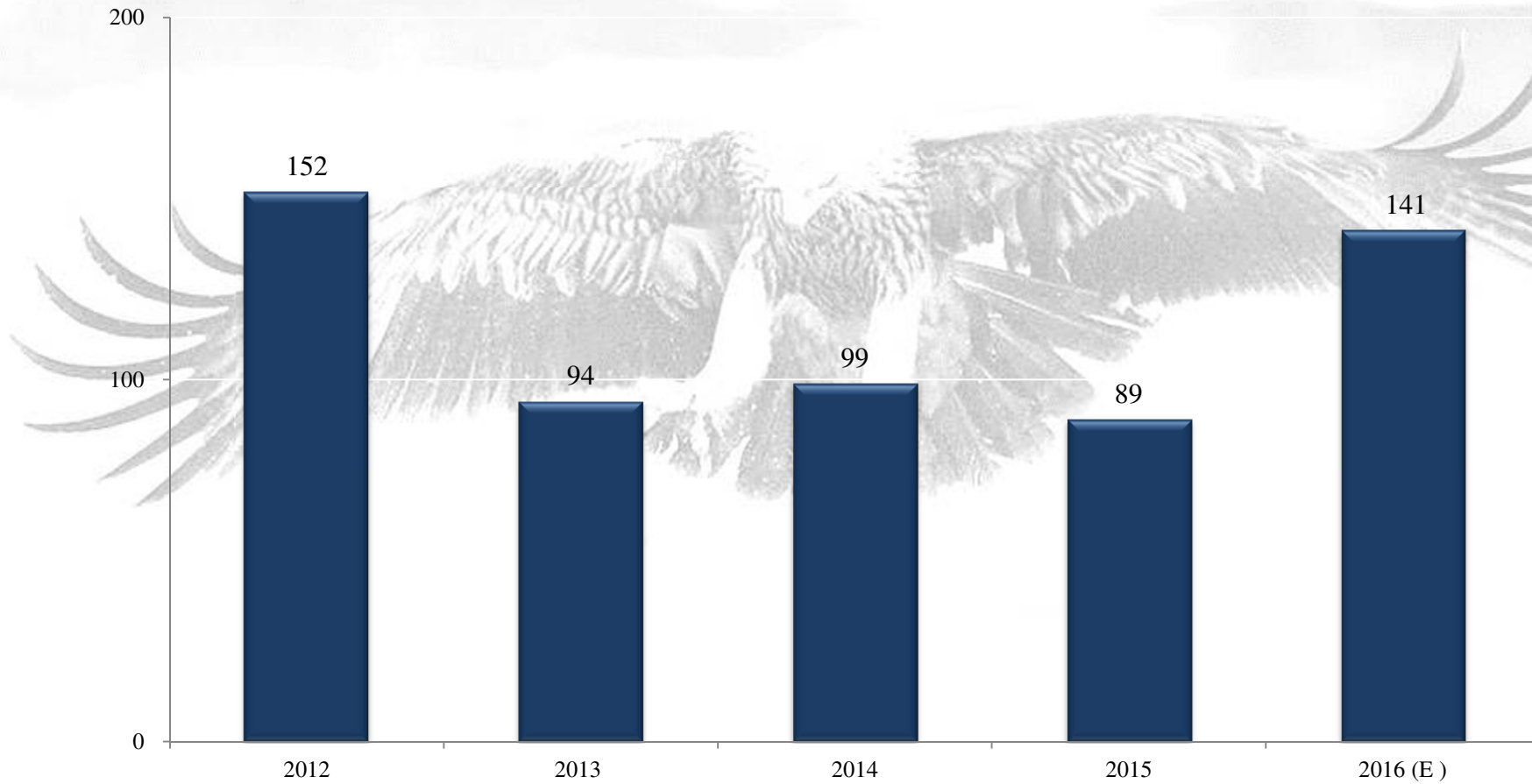


Capacity targeted to reach 100 million tons



Capital Expenditures

US \$ M



Accountability, Teamwork and Execution





Thank You

ir@taiwancement.com

 T'cement