



Q1 2018

TCC Group  
Investors' Conference





# 水泥是文明的黏著劑 碳黑是文明進步的滾輪



**The Road Not Taken**  
I shall be telling this with a sigh  
Somewhere ages and ages hence:  
Two roads diverged in a wood, and I -  
I took the one less traveled by  
And that has made all the difference.  
—Robert Frost



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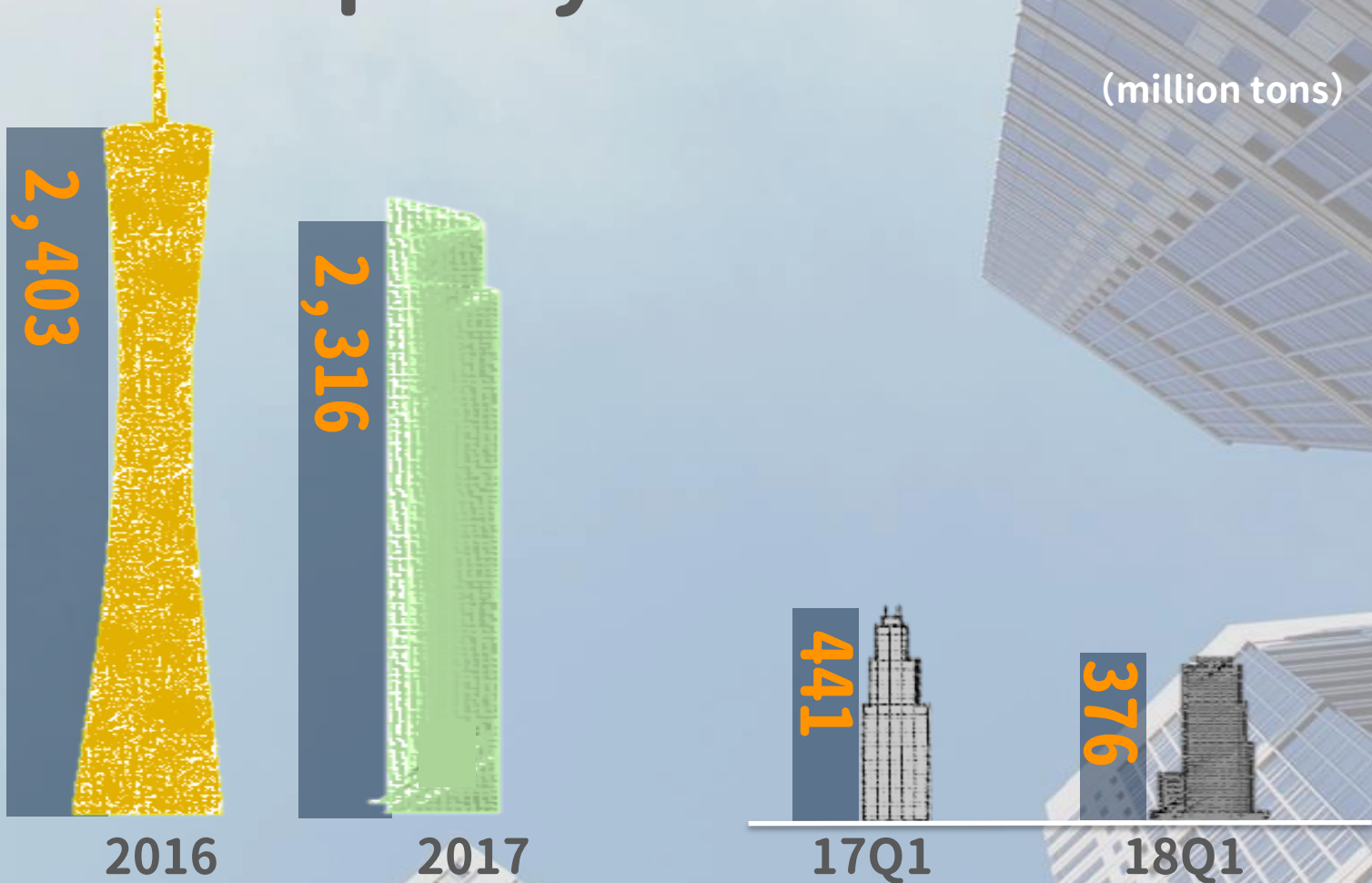


# Business Recap



# Cement Capacity in China

(million tons)



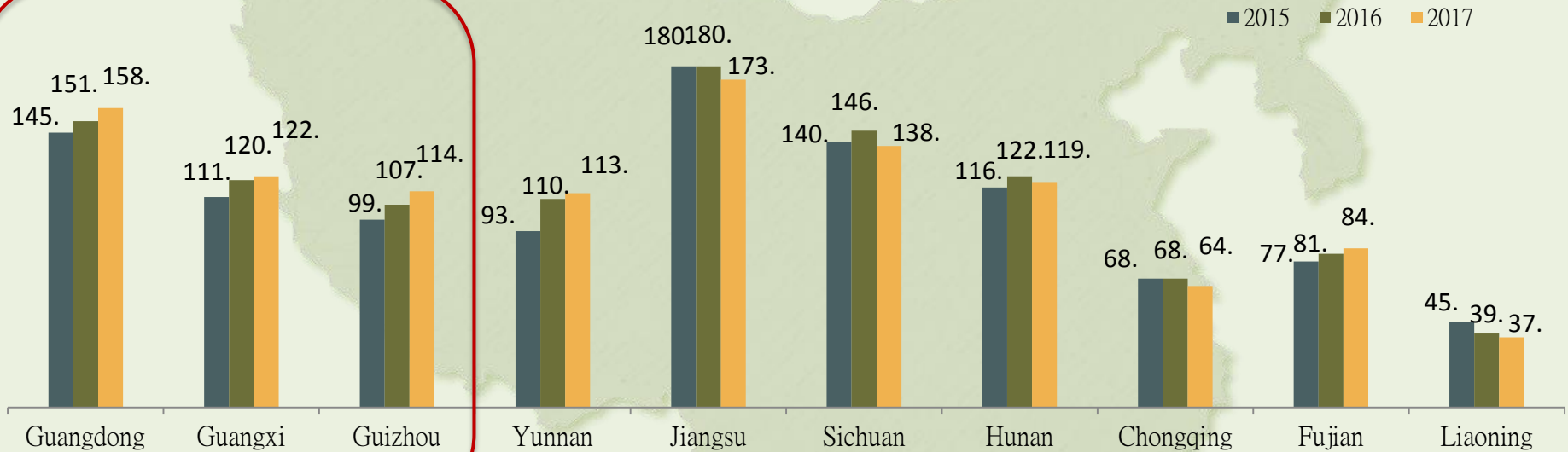
Source : China Cement Association

# Demand in TCC's Major Markets Remain Strong



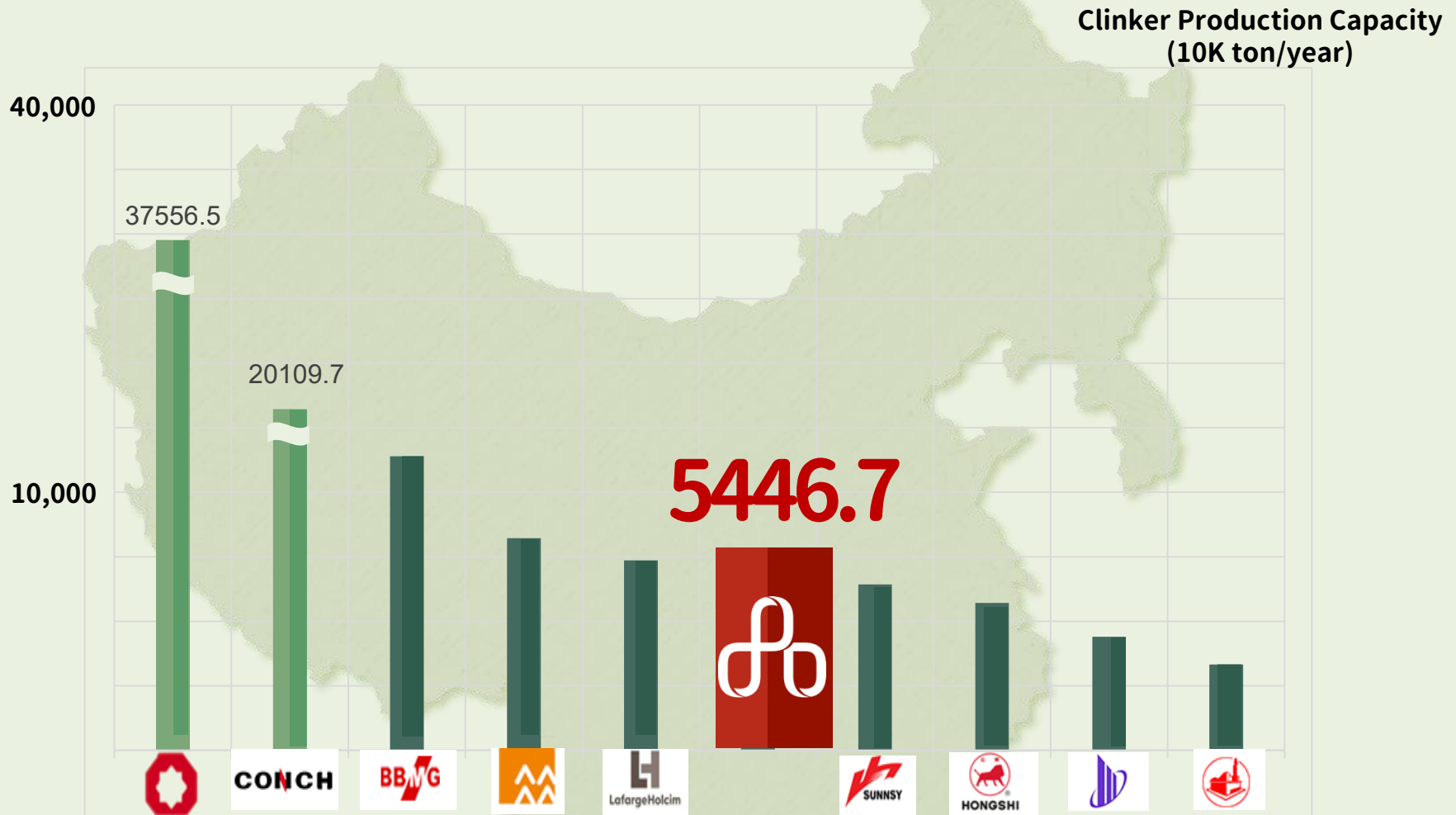
## Production Volume by Province

Unit: Million Tons



Source : China Cement Association

# TCC Ranked Sixth in 2017



Source : [www.ccement.com](http://www.ccement.com)



# Cement Industry Policy in China



## Green Development



- Co-processing to Reach 15% by 2020.
- Promote Co-processing of Industrial Waste
- Implement Carbon Tax/Trade.

## Supply-side Reform



- Makes Off-peak Production Normalization.
- Tightening Capacity Replacement Measures.
- Multi-tiered Electricity Tariffs Policy.
- Cement Product Standard Revision.  
(Eliminate PC 32.5 Grade.)

## Environment Protection

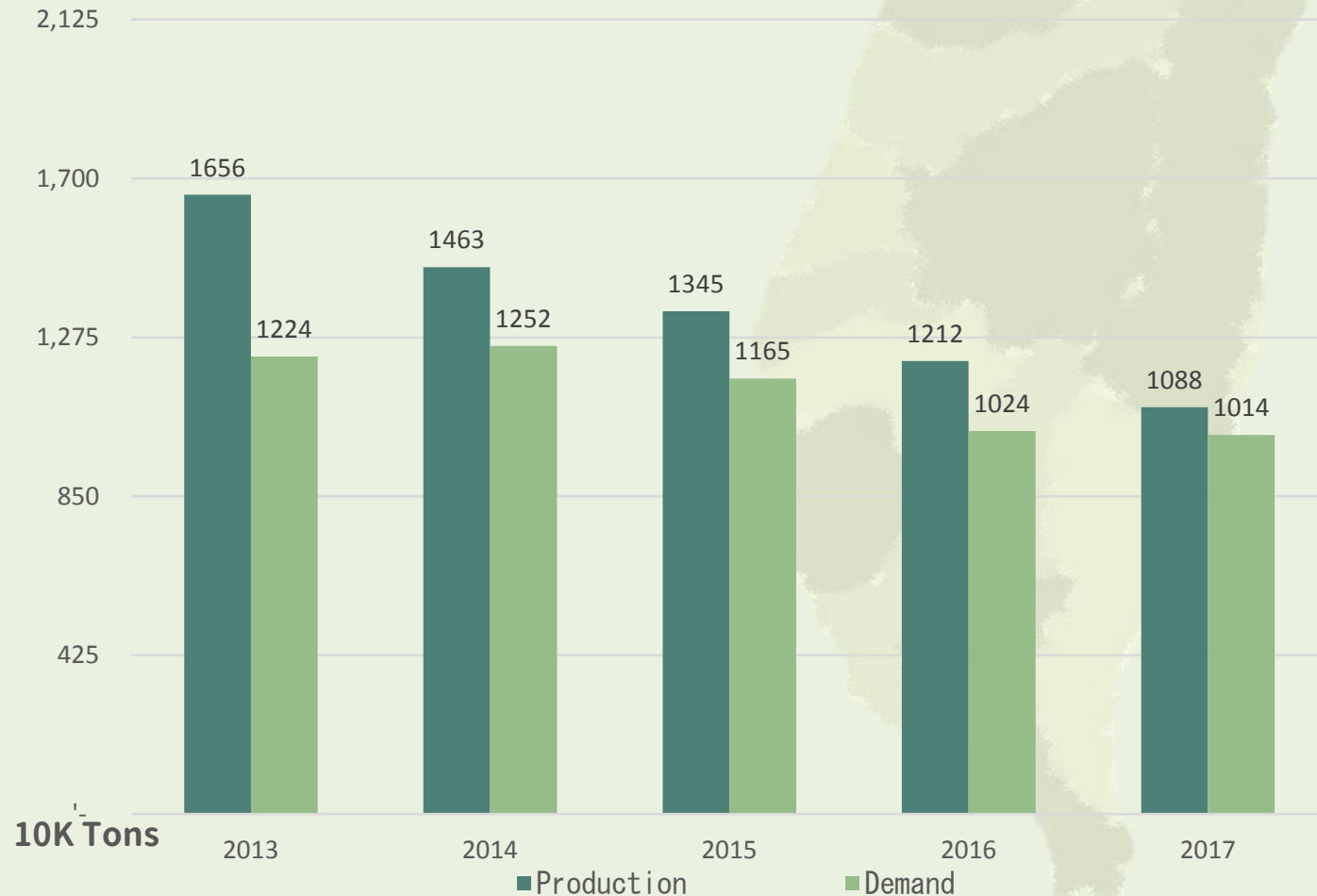


- Environmental Protection Requirements are Coming Quickly and Strictly.
- Implement Central Environmental Inspection and Provincial Environmental Inspection.

# Taiwan Market Overview



## Infrastructure Plan Drives the Domestic Economy.



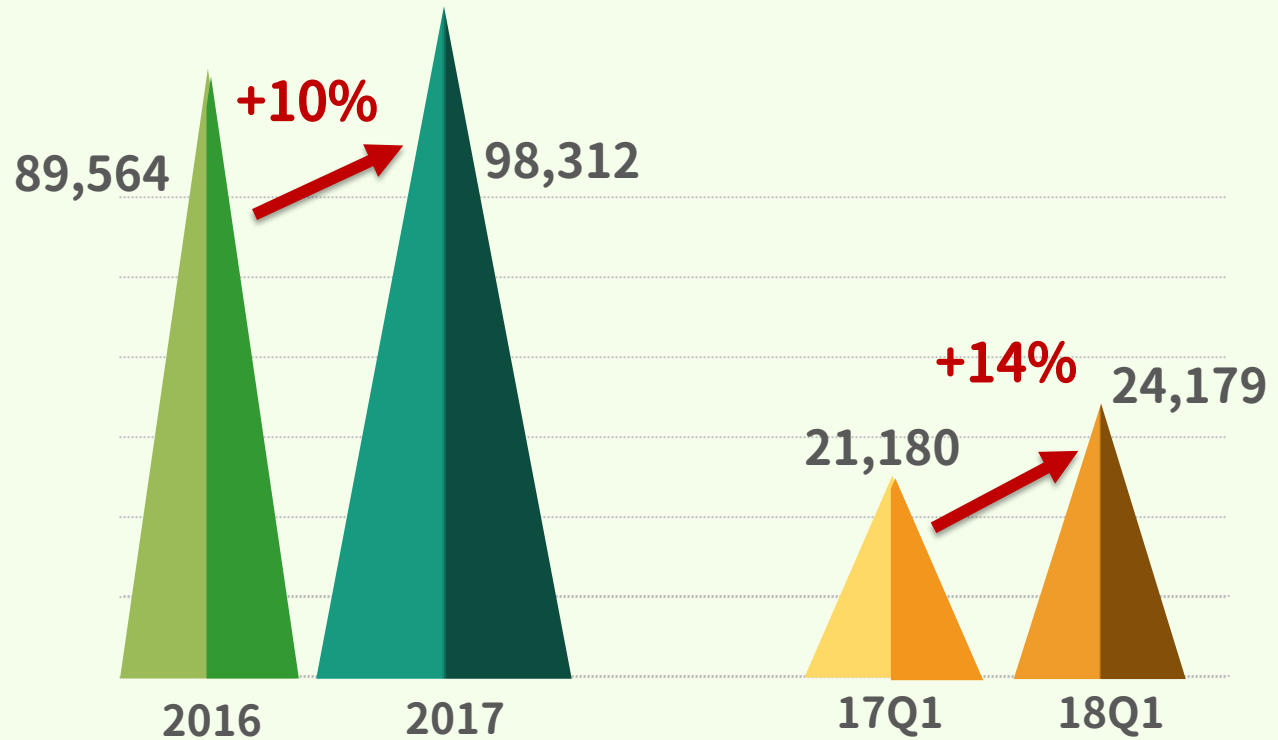


# 18Q1 Financial Results

# Continuous Growth of Consolidated Revenue and Net Income Attributed to Shareholders of the Parent



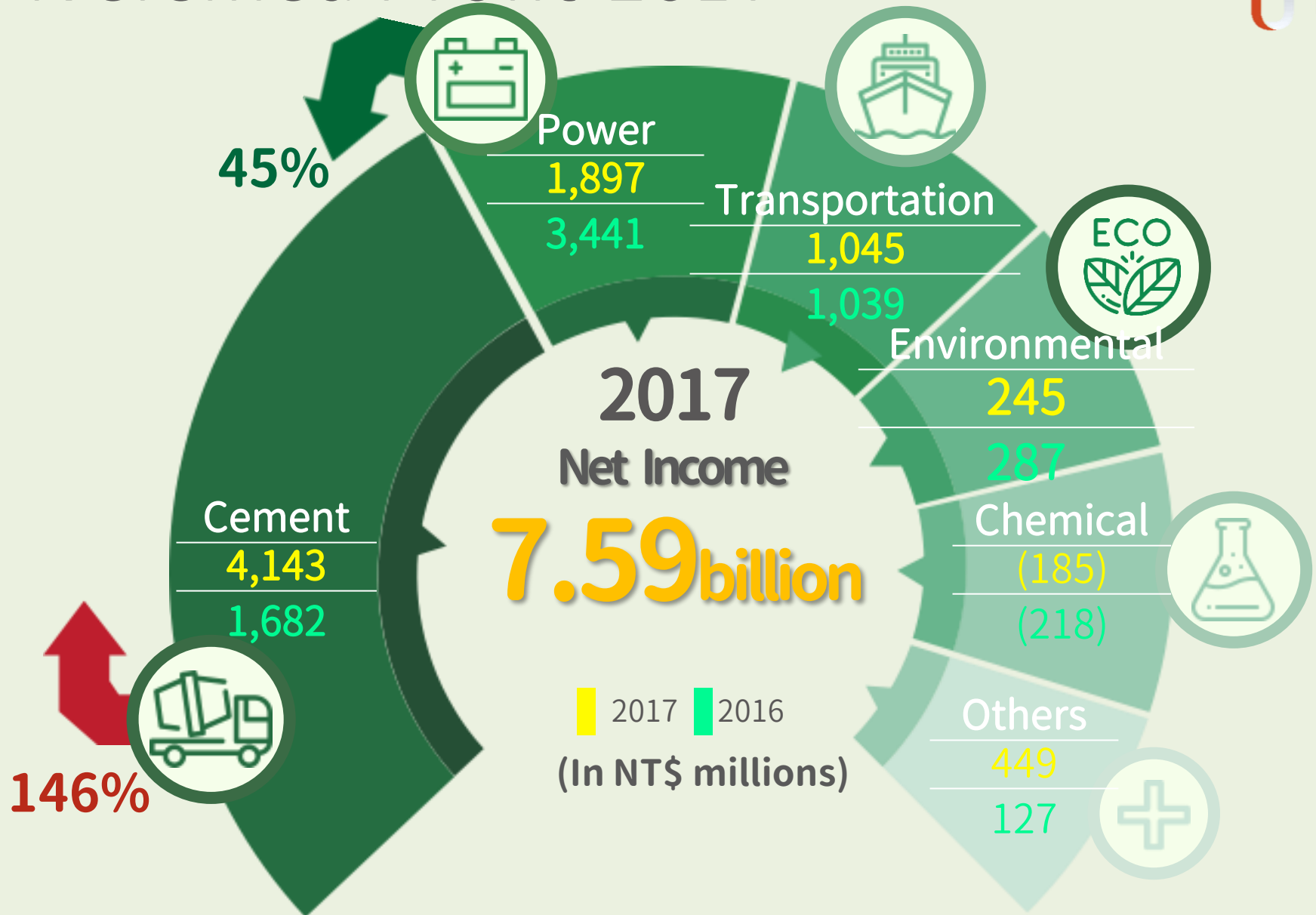
**Consolidated Revenue**  
(In NT\$ millions)



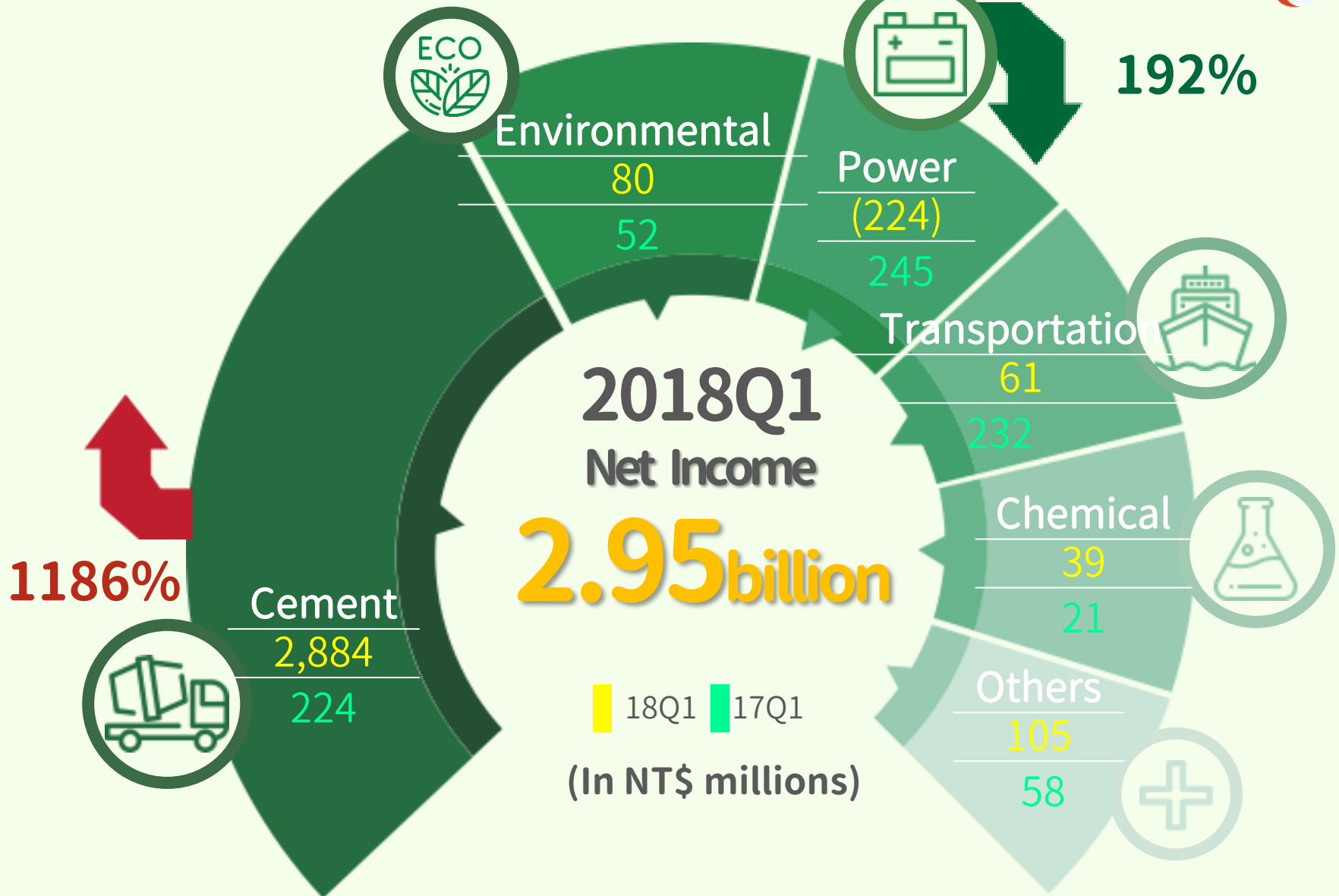
**Net Income Attributed to Shareholders of the Parent**  
(In NT\$ millions)



# Diversified Profit-2017



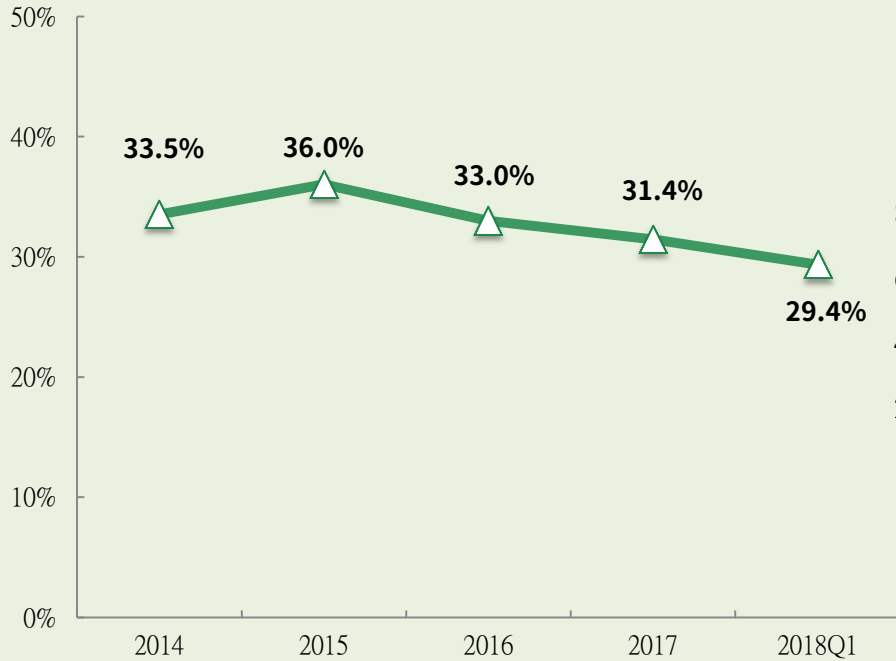
# Diversified Profit- 2018Q1



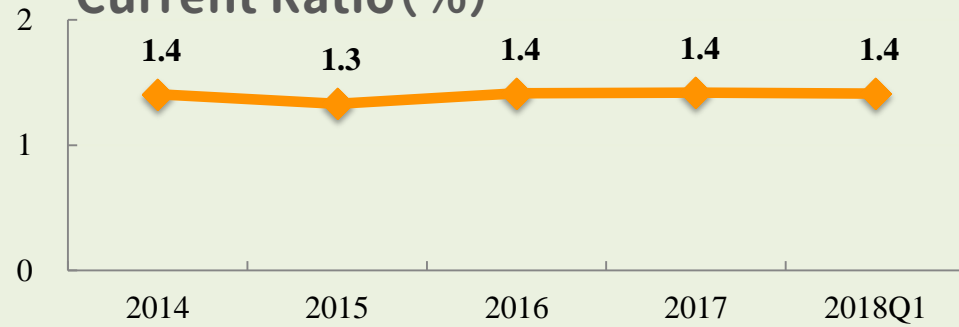
# Solid Financial Structure



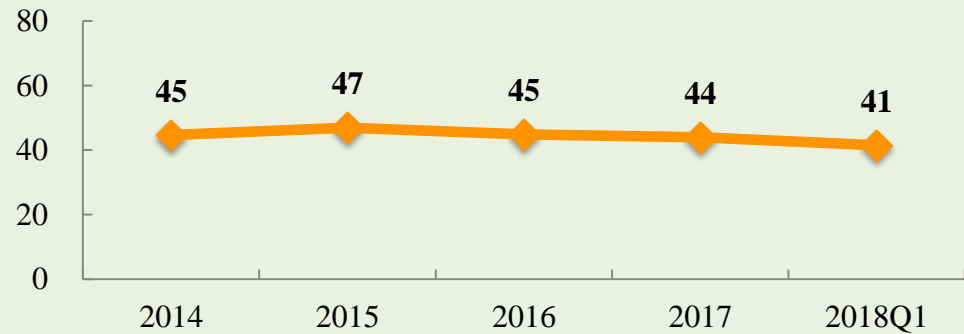
## Gearing Ratio



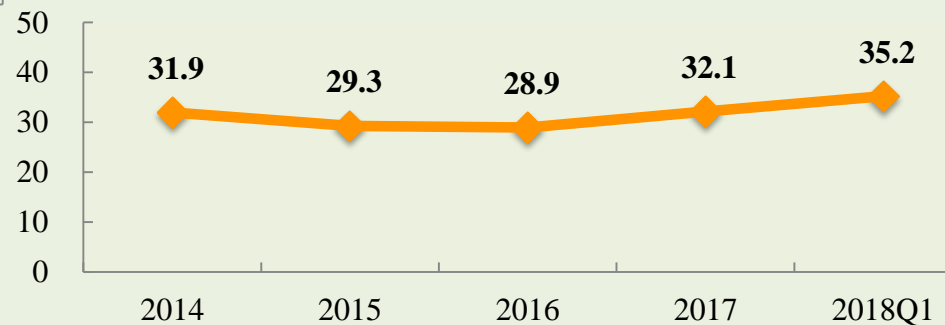
## Current Ratio (%)



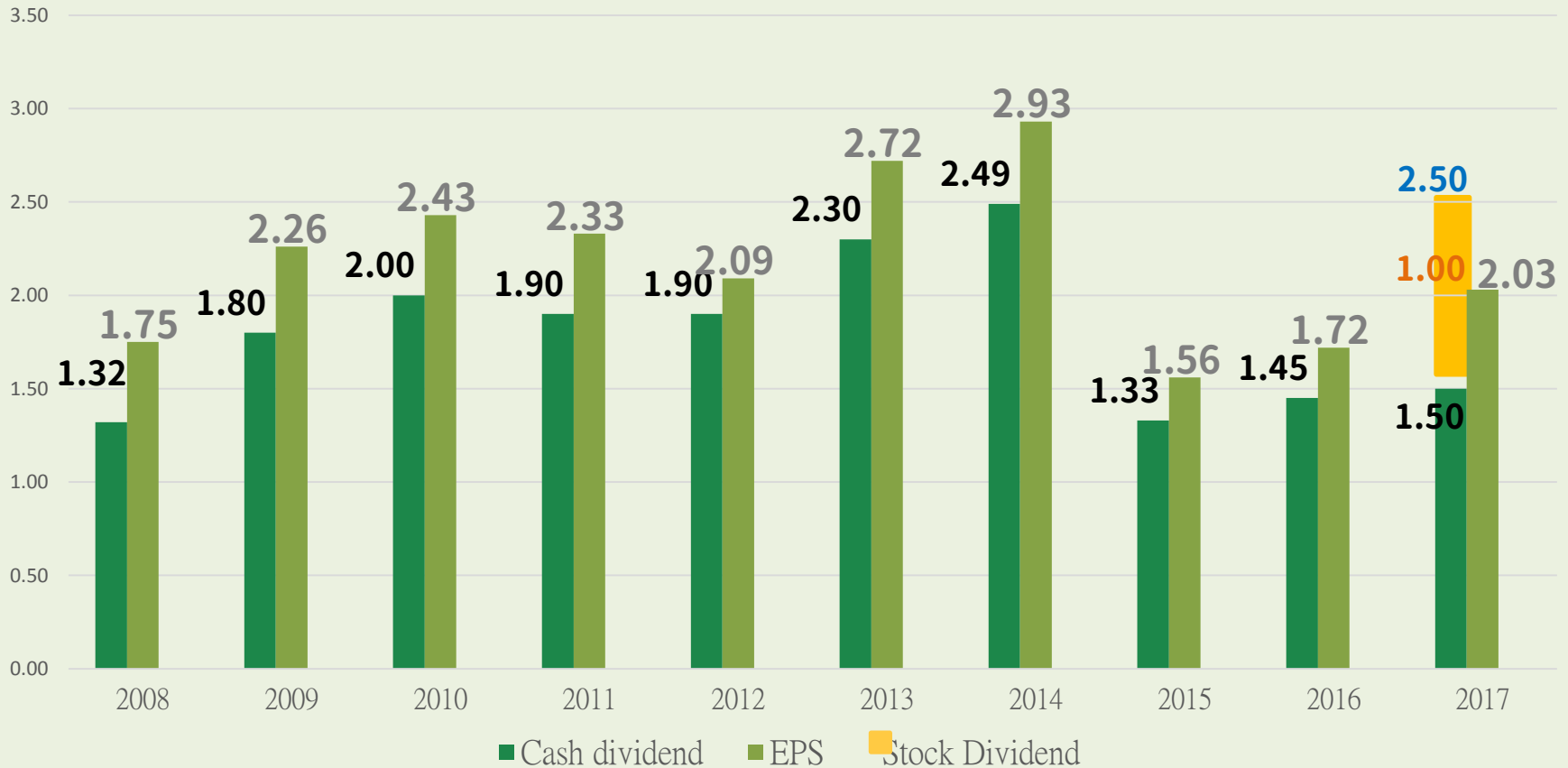
## Debt Ratio (%)



## Book Value Per Share



# Dividend Policy

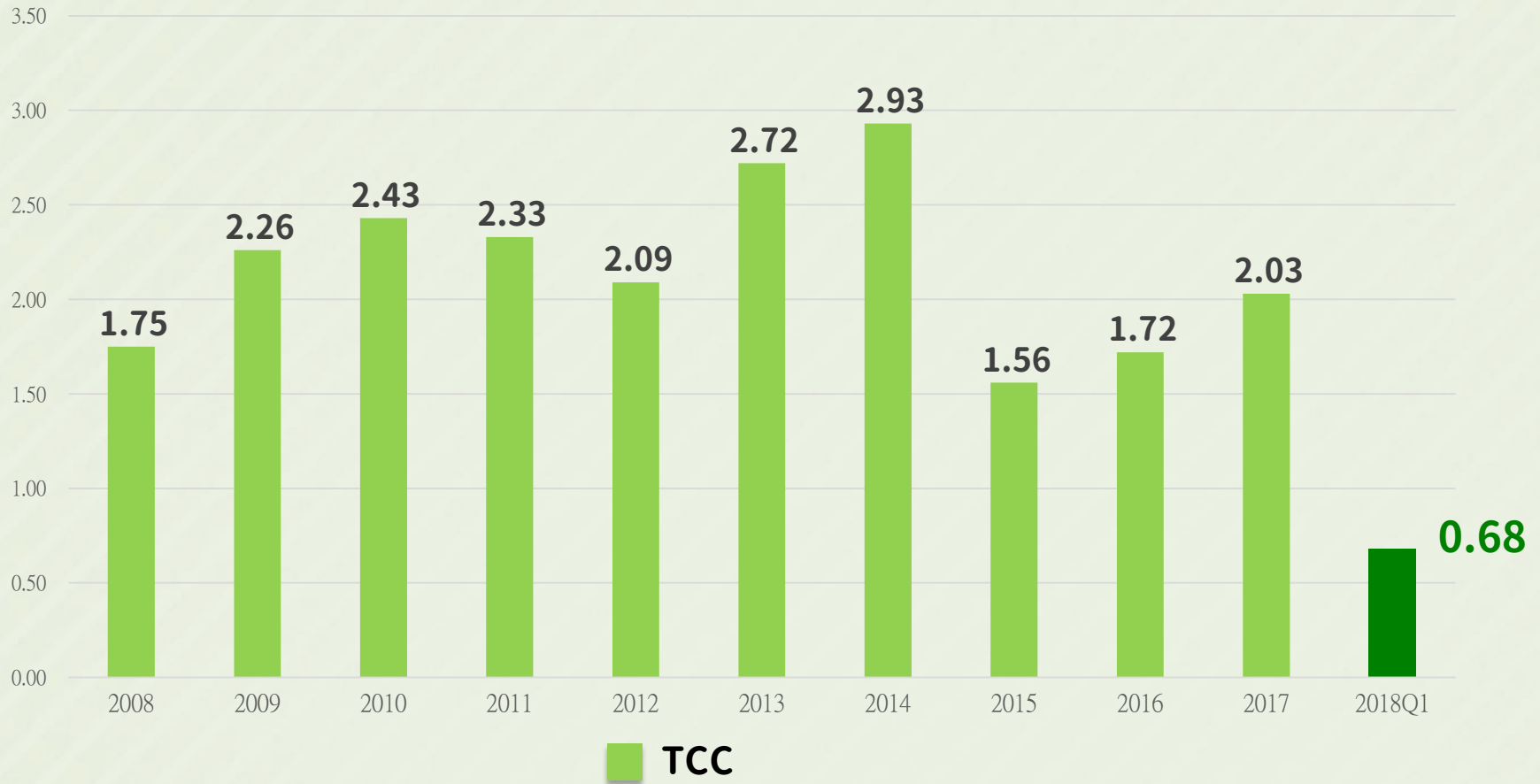


**2017 EPS \$2.03, Cash Dividends \$1.5 + Stock Dividends \$1**

Cash dividends payout ratio will stay at about **75% ± 5%**



# Motivate Colleagues, Attract Talent



- The management has set **up NT\$ 2** per share as the minimum goal for the cement segment.
- “Profit-sharing” for employees. We provide **incentive bonuses quarterly** whenever the performance reaches the goal above.



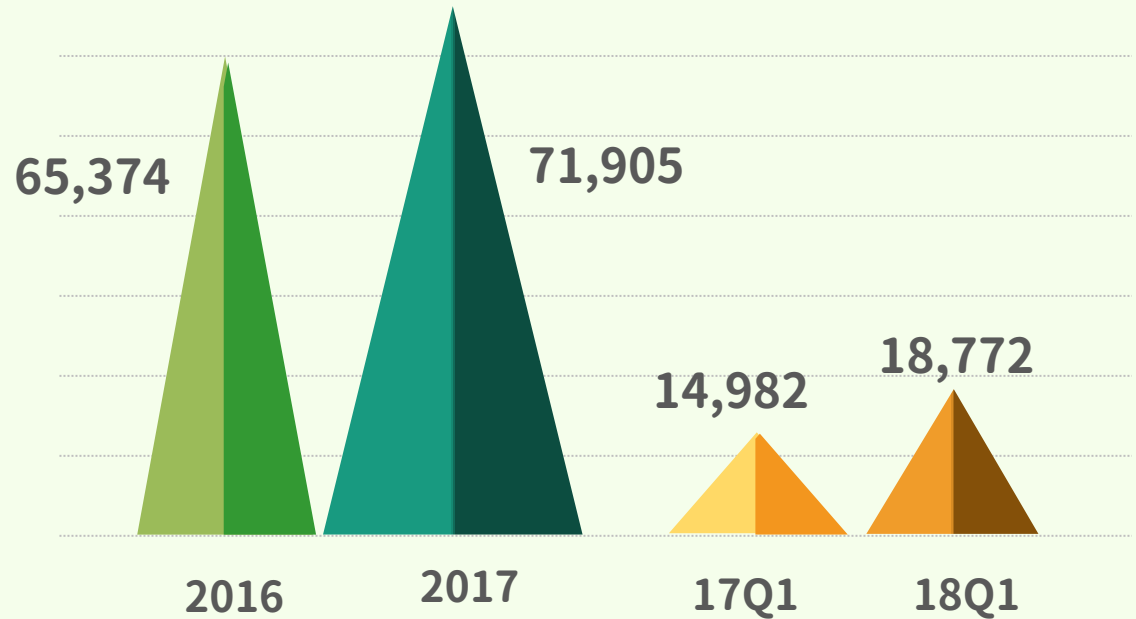
# Cement Revenue & Gross Profits

# Revenue and Gross Profit of Cement Segment



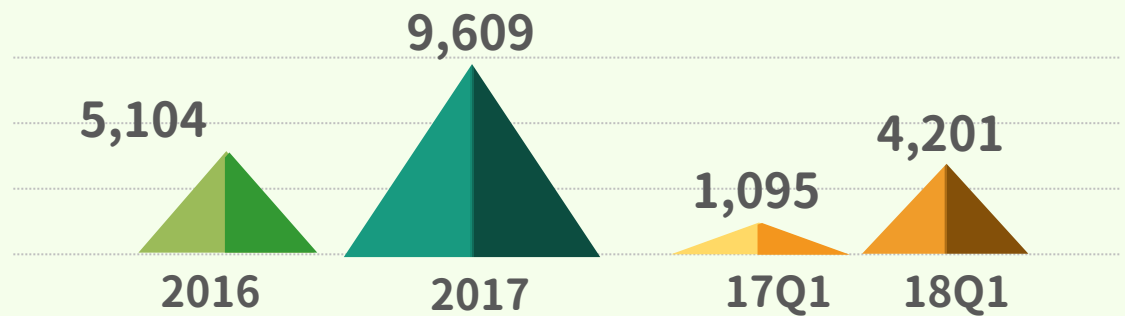
**Revenue: selling price of cement increased in China**

( NT\$ millions)

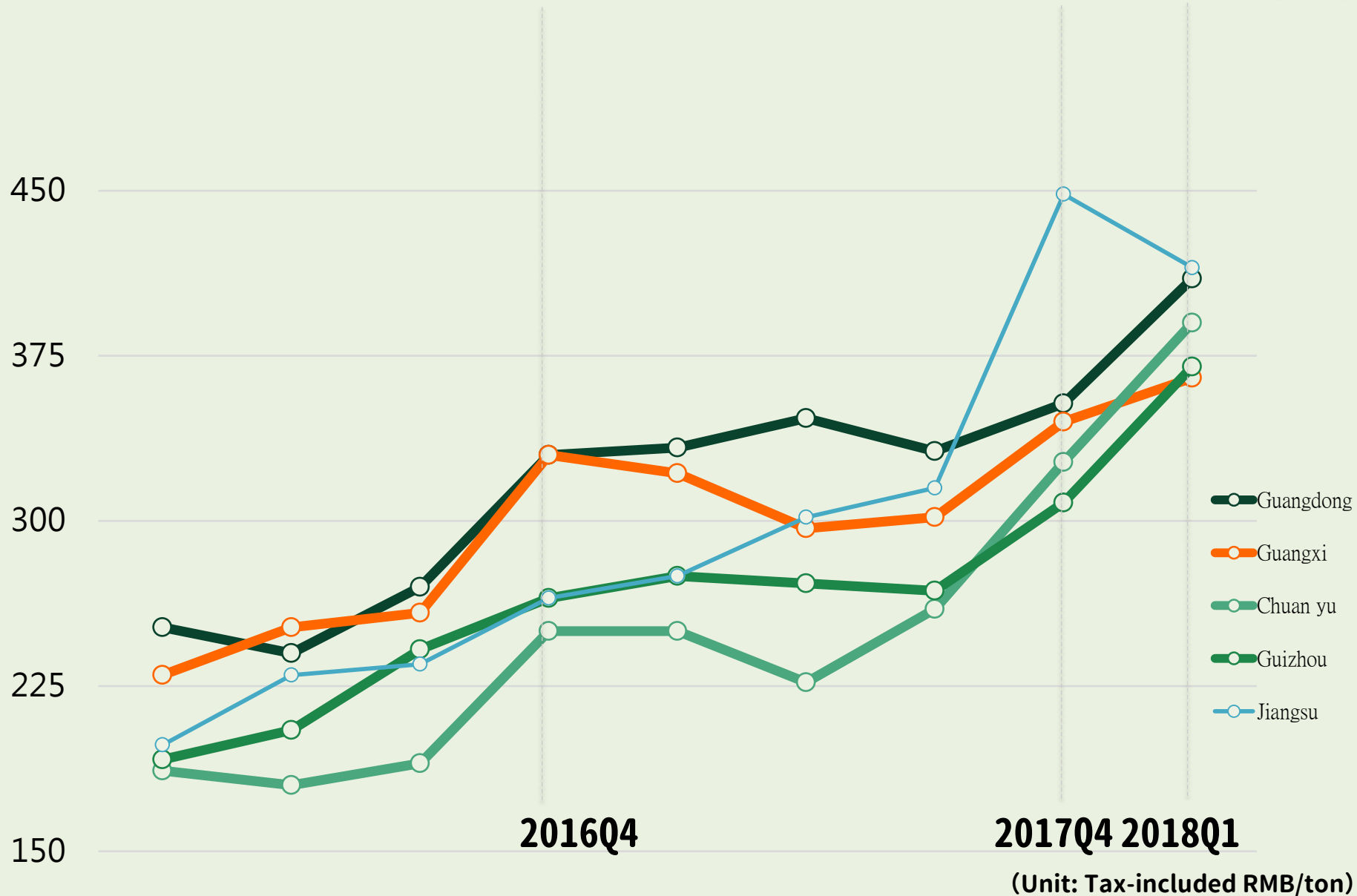


**Gross Profit: selling price of cement increased more than COGS**

( NT\$ millions)

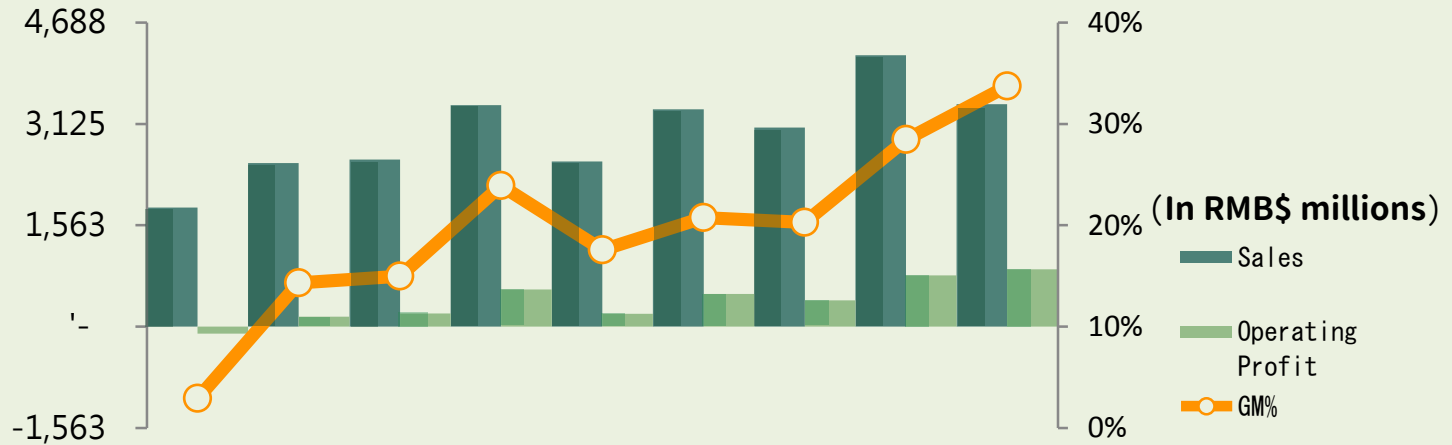


# TCC P042.5 Price Trends



(Unit: Tax-included RMB/ton)

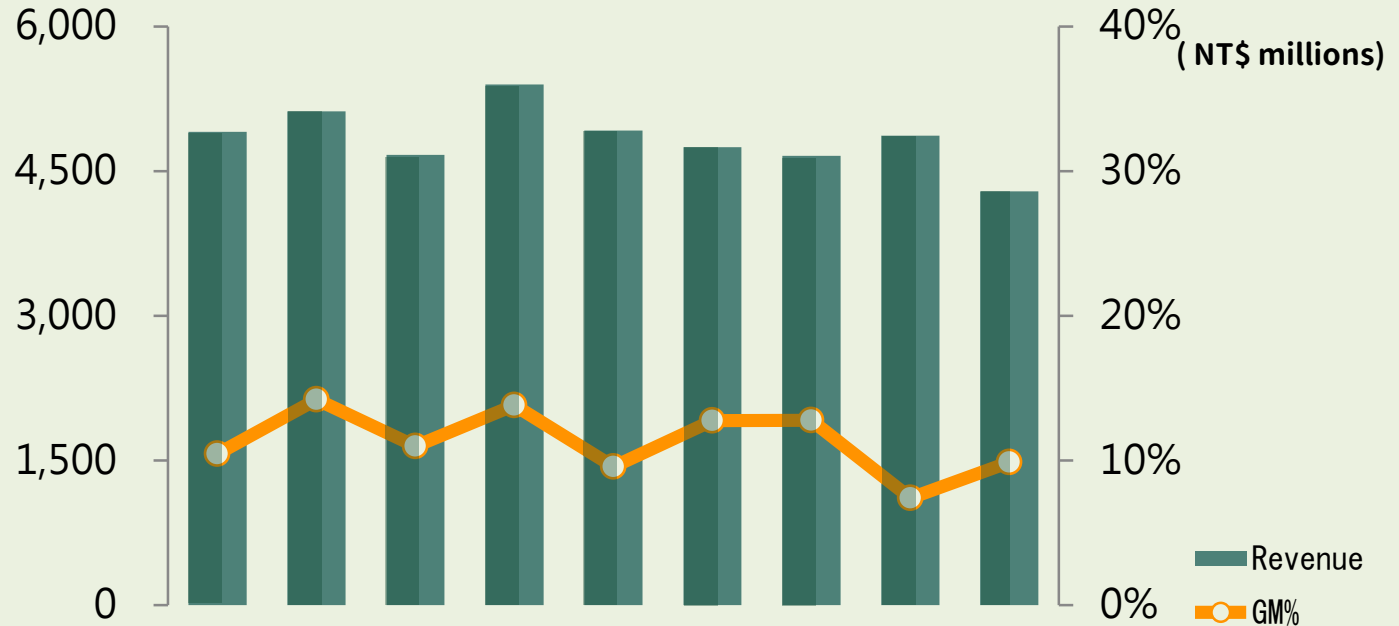
# Gross Profit Per Ton Increased in China



	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1
<b>Sales Volume</b>	11	14	14	15	11	14	13	16	11
<b>Revenue</b>	1,834	2,524	2,576	3,413	2,545	3,348	3,068	4,186	3,429
<b>Gross Profit</b>	50	344	368	773	420	651	591	1,117	1,075
<b>GP per Ton</b>	4.7	24.1	26.1	50.9	38.7	46.5	44.7	71.9	101.1
<b>Operating Profit</b>	(109)	155	205	571	200	502	407	792	882
<b>GM%</b>	2.9%	14.3%	15.0%	23.9%	17.6%	20.8%	20.3%	28.5%	33.7%

Operating Profit = Revenue – COGS – Operating Expense | GP per ton = Gross Profit / Sales Volume | GP Ratio = Gross Profit/ Revenue

# Gross Profit Per Ton in Taiwan was Stable



	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1
<b>Revenue</b>	4,906	5,121	4,669	5,398	4,920	4,748	4,658	4,867	4,297
<b>GM%</b>	10.5%	14.2%	11.0%	13.8%	9.6%	12.8%	12.8%	7.4%	9.9%

Gross Profit = Revenue - COGS

GP Ratio = Gross Profit / Revenue

Notes: The sales and profit of Concrete were included respectively



# Circular Economy of TCC Resource Recycling: Waste Treatment

# TCC's Taiwan-Initiative to Provide Environmental Solutions for Local Governments



## ◆ Ho-Ping Plant –

- ◆ TCC Ho-Ping plant to assist Hualian disposal of MSW with co-processing in cement kiln . EIA preparation/system planning, is expected to begin bidding in early 2019, completed at the end of 2020.
- ◆ Assist Hualian stone material industry to dispose of waste stone materials from 2018-2-6 earthquake. Expected to obtain permission in end of May .

## ◆ Suao Plant –

- ◆ In order to solve the burial problem, TCC will assist the Lize Incineration Power plant to dispose of bottom ash(recycled pellets). Expected to obtain permission before the end of the year.
- ◆ In June, TCC will assist to dispose of water purification plant sludge from Sanhsing Guang -Xing, Yuanshan Shen-gou .





Co-processing with Cement Kiln  
Does Not Get You Everywhere,  
But Without It, It Gets You Nowhere.





Circular Economy  
of TCC  
**Energy Recycling:  
Green Energy**

# Actively Participate in the Government's Green Energy Policy



Under Construction



## Changbin Onshore Wind Power Capacity 7.2MW

Expected to generate 381 million kWh in 20 years

Expected to reduce carbon emissions by 202,000 tons



## Changbin Ground PV Capacity 14MW

Expected to generate 357 million kWh in 20 years

Expected to reduce carbon emissions by 189,000 tons



## Chiayi Fishery Type Ground 37MW

Expected to generate 930 million kWh in 20 years

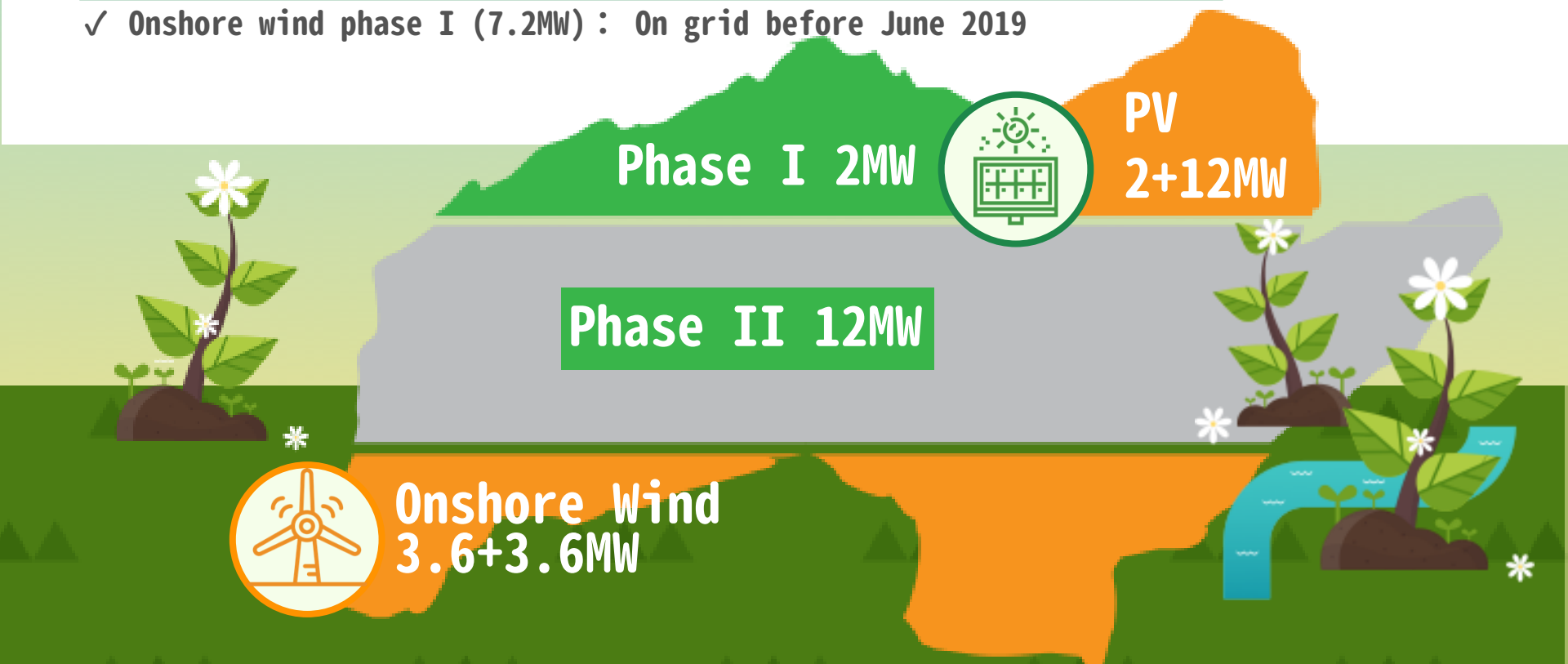
Expected to reduce carbon emissions by 492,000 tons



# TCC's Renewable Energy

Under construction in Changbin plant, total 21.2MW

- ✓ PV phase I (2MW) : On grid before June 2018
- ✓ PV phase II (12MW) : On grid before June 2019
- ✓ Onshore wind phase I (7.2MW) : On grid before June 2019





# TCC's Renewable Energy

## Chiayi Yizhu/Budai Fishing Pond PV Project (37MW)

515,959 square meters, estimated commercial area in 2019

### TCC

TCC has a large-scale power plant that efficiently reduces O&M costs of economies of scale

### Fishery Farmers

Special funds for improving the farming environment in the area  
Improve farming conditions

### Triple Win

### Government

Government can develop more renewable energy, energy generation, carbon emission reduction



# Eco-Fleet Replacement Plan



# Eco Fleet -

# Asset Replacement Plan for TA-HO

**Committed to energy-saving and carbon reduction by adopting new innovative technology**

- From 2018, TA-HO MARITIME CORPORATION will gradually sell 6 old ships and replace with 6 new ships.
- Our new building vessel - M.V.「TAHO ASIA」 with deadweight 84,459 tons has started her maiden voyage on March 16th 2018.
- There will be another 2 new cement carriers to add into our cement fleet from 2019.





**THANK YOU**

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# Appendix

## Effect of tax rate changes

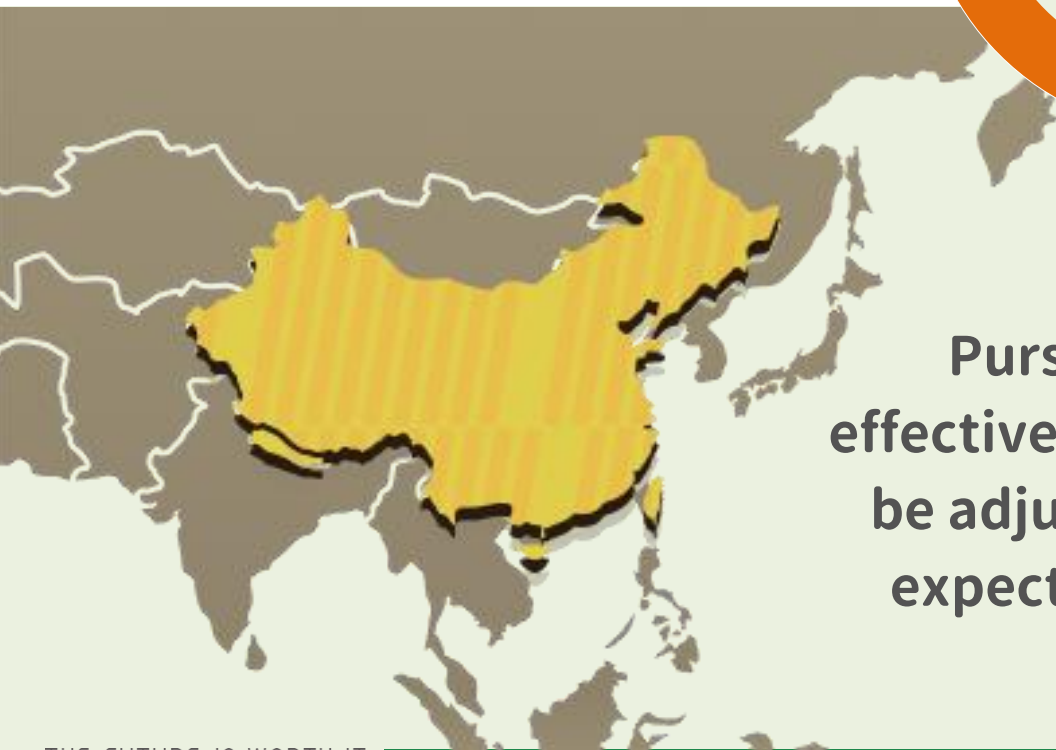
# Effect of tax rate changes to TCC group



The effect from the change of EIT tax rate (17% upwards to 20%) to 2018Q1 profit:



Effect on Current Income Tax as NT\$ 0.02bn  
Effect on Net Deferred Income Tax as NT\$ 0.63bn



Pursuant to the new VAT regulation effective on 1 May 2018, the tax rate will be adjusted from 17% to 16%, which is expected to bring additional turnover growth in China market.



台泥是處理人類與大自然  
複雜關係的綠色產業公司



# Disclaimer

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