

# Walsin Lihwa Corporation

## Q2 Investor Conference



# Disclaimer

- Walsin's statements of its current expectations are forward looking statements subject to significant risks and uncertainties and actual results may differ materially from these forward-looking statements.
- Except as required by law, Walsin undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

# Agenda

- Profits in recent years P4 ~ P5
- Profits in first-half year P6
- Wire and cable business P7
- Stainless steel business P8 ~ P10
- Commercial real estate business P11
- Summary P12

# Profits in Recent Years

## - Profits of Manufacturing Business Units Improved Annually

NTD millions	2013	2014	2015	2016
EBITDA	1,073	6,244	5,120	8,332
Adjusted EBITDA to exclude impairment charges	3,611	7,154	5,524	8,786
Adjusted EBITDA, excluding impairment charges and commercial real estate business	3,649	4,803	5,368	8,698

### ■ Improved profitability in manufacturing business units

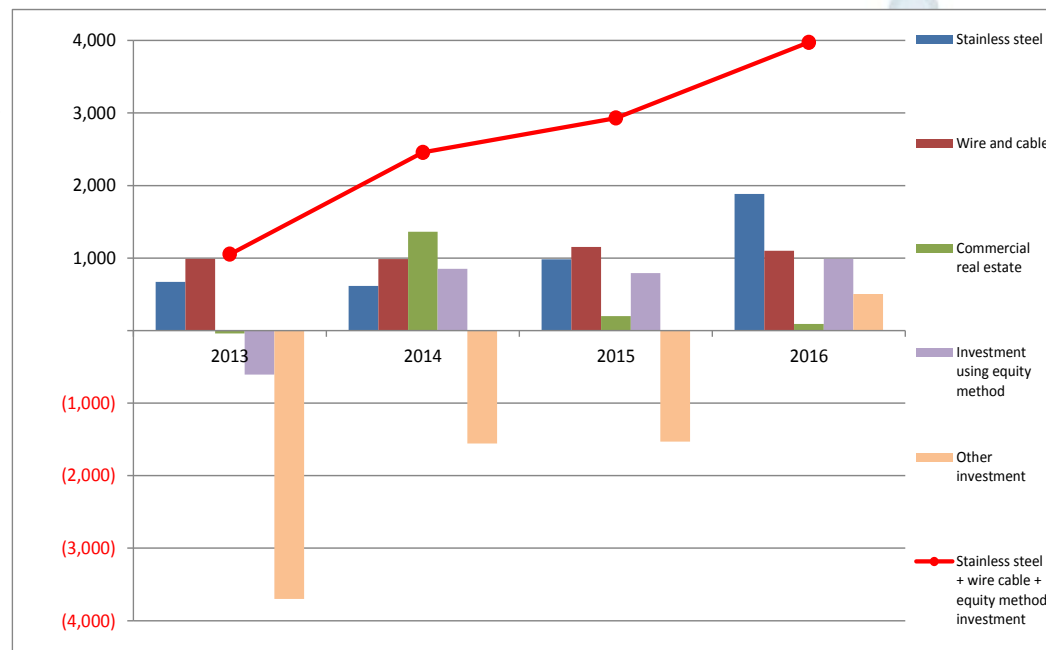
- Profits of Stainless Steel Business are improved gradually
- Profits of Wire and Cable Business are stable

### ■ Profits of investments in non-core business are gradually stabilized

- Disposed investments in LED, solar power, Xian Walsin Metal, Hangzhou Walsin Power Cable & Wire Co and NewVastek Co.

Unit: NTD millions

Net income by segment



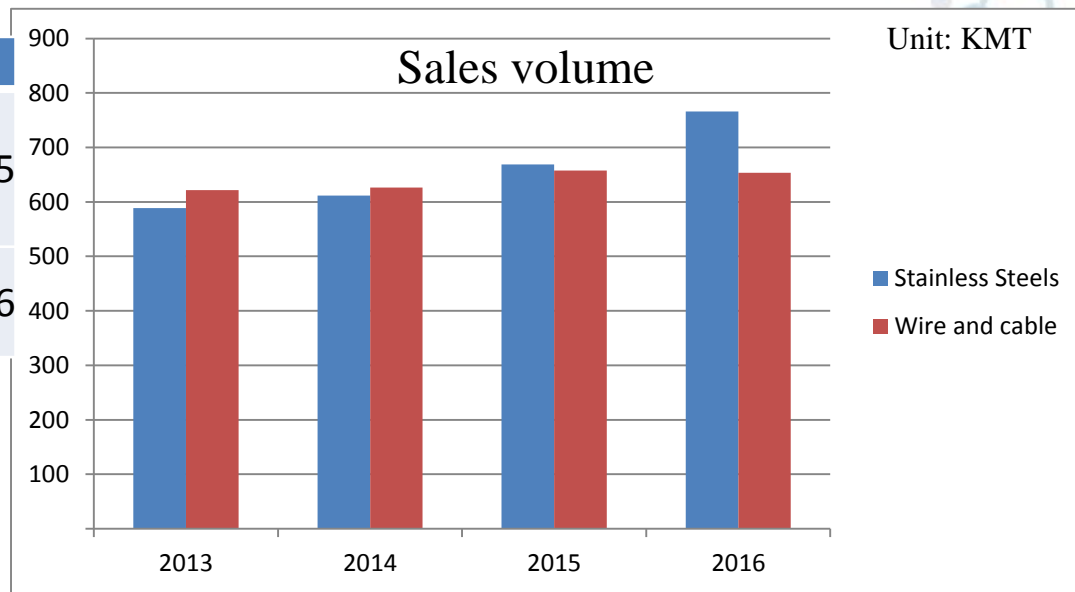
Note:

1. Stainless Steel Business includes: Yansheui Factory, Taichung Factory, Yantai Walsin, Jiangyin Walsin Specialty Alloy, Jiangyin Walsin Steel Cable, Shanghai Baihe Walsin and Changshu Walsin.
2. Wire and Cable Business includes: Xingzhuang Factory, Yangmei Factory, Nanjing Walsin Metal, Dongguan Walsin and Shanghai Walsin Power Wire & Cable.
3. Equity method investment includes: Winbond, Walsin Technology Corporation, Walton Advanced Engineering, Hangzhou Walsin Power Cable & Wire Co., Ltd., Jinxin Investment Co., Ltd., and etc.
4. Other investment includes: Borrego, impairment loss, dividend income, etc.

# Profits in Recent Years

## - Improvement Mainly Comes from Stainless Steel Business

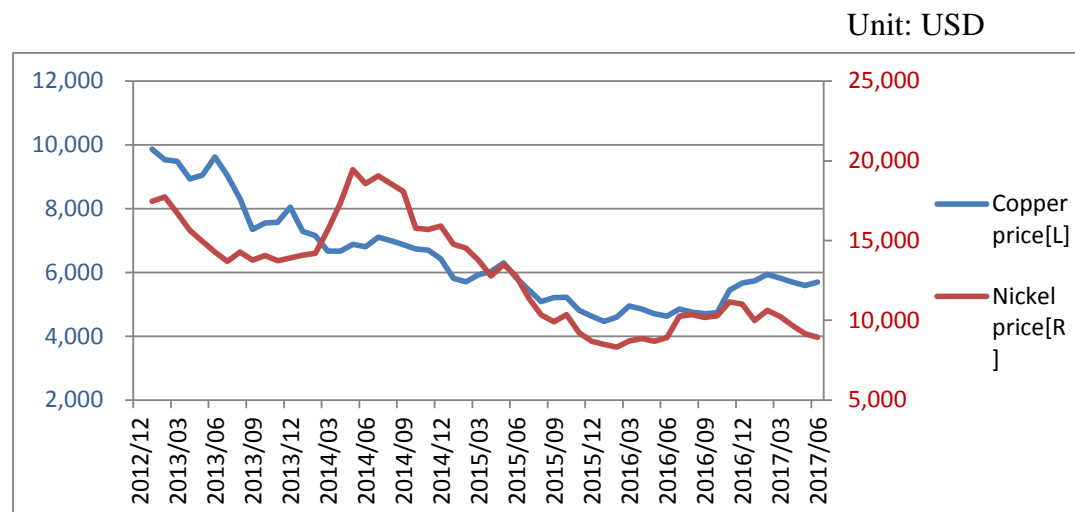
NTD millions	2013	2014	2015	2016
Net income - stainless steel & wire and cable	1,659	1,604	2,138	2,985
Adjusted EBITDA to exclude impairment charges	3,611	7,154	5,524	8,786



### Profits of Stainless Steel Business have improved gradually each year

- Sales volume of Taichung factory has increased annually from 2013
- Sales volume and prices both increased in 2016 in Yantai, benefiting from Mainland's policy on cutting excess industrial capacity and encouraging environmental friendly production

### Fluctuation in Copper and Nickle price has a significant impact on the Company's revenue. The short term profitability is affected by timing difference while the impact on long-term profit is limited



# Profits in First-half Year

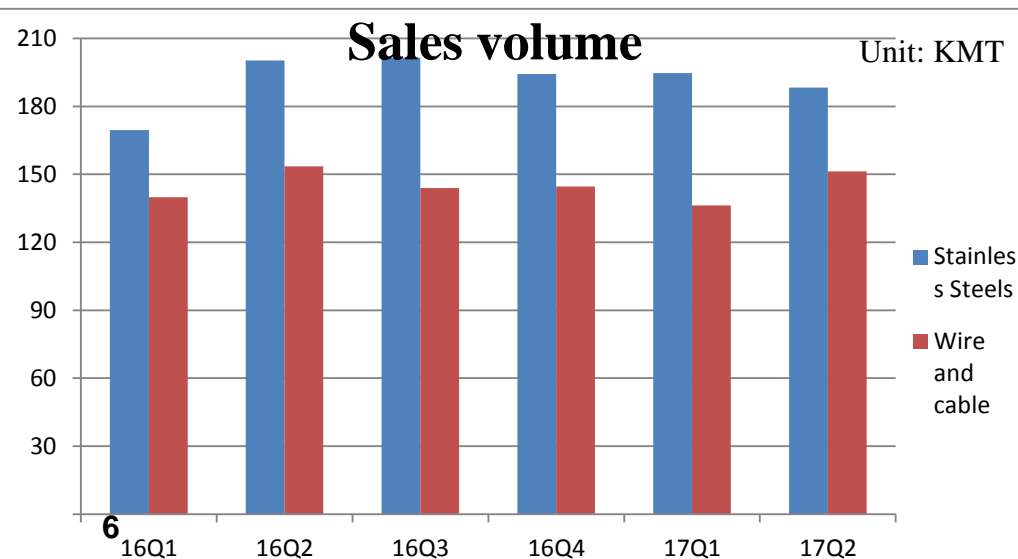
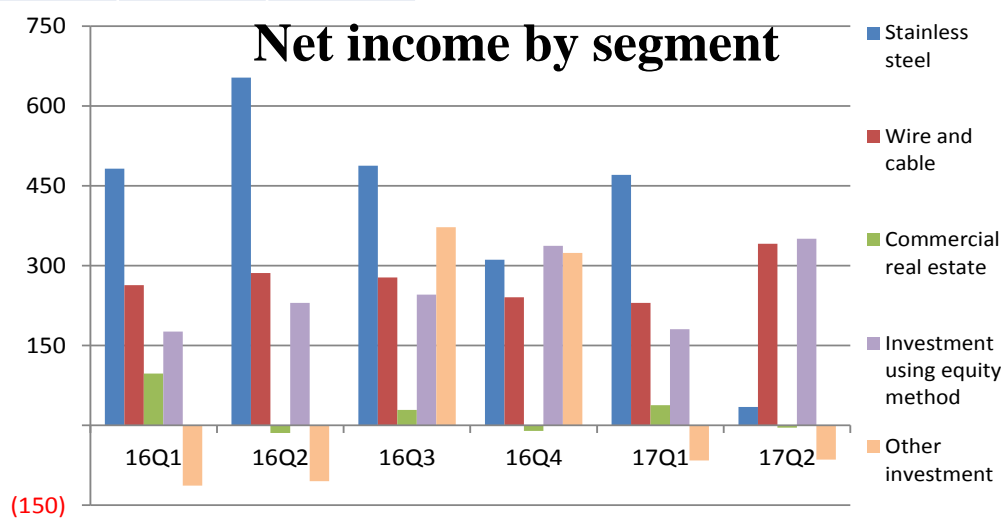
NTD millions	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2
Net income	905	1,050	1,411	1,202	853	657
EPS (NTD)	0.26	0.30	0.42	0.35	0.26	0.20

Unit: NTD millions

■ **Profits of Stainless Steel Business** decreased in Q2 due to a sharp drop in Chromium price and the lower than expected sales volume and price for rolled coil products. Sales and operation of rod products were stable.

■ **Profits of Wire and Cable Business** increased in Q2 as a result of the increased sales volume

- Q2 was a booming season for copper wire products, with higher sales and profits than other seasons
- Profits of power cable products increased due to concentrated deliveries of construction orders



# Wire and Cable Business

## ■ Stable profits for existing products

## ■ Power cable

- Enhance service and relationship with customers in construction industry to increase market share

- Development on industrial cable products focusing on following sectors:

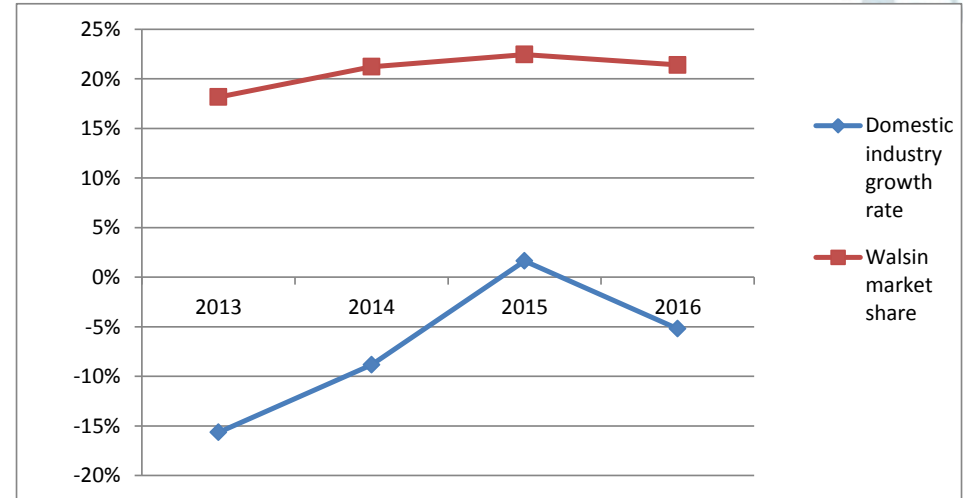
  - Solar power cable

  - Wind power cable

  - Crane cable

## ■ Copper wire

- Increase sales of copper wire products



# **Stainless Steel Business – Rod Products in Taiwan**



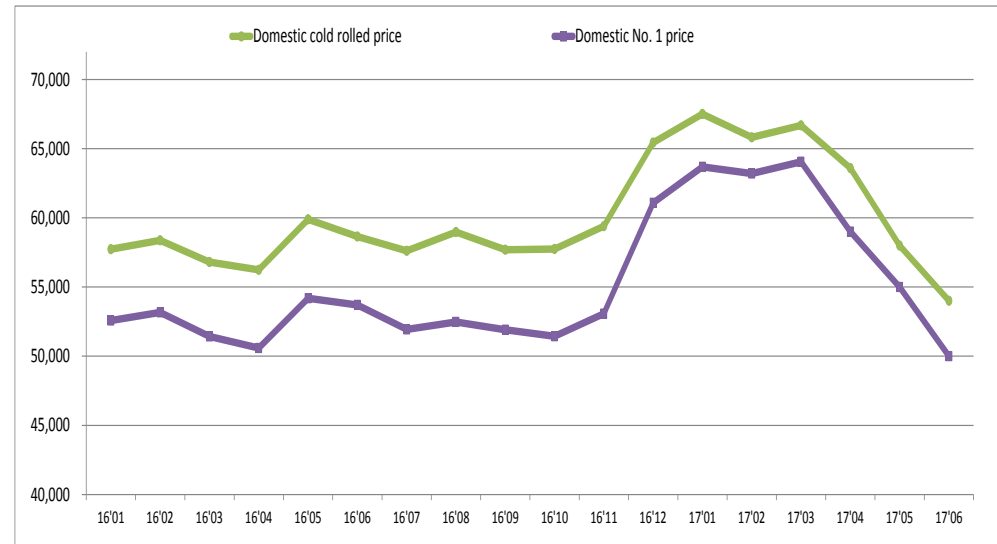
- **Sales volume and price of current products are stable**
- **Increase sales of high-value products by adding High Reduction Machine, expecting to make the investment in second half of next year**
  - Improve product quality of current products
  - R&D and manufacturing of anti-corrosion, high cleaning steel products and welding grade products
  - Diversify the sepc of rod products to satisfy demands of more customers



# Stainless Steel Business – Rolled Coil Products in Taiwan

- In Q2, price and sales volume of rolled coil products were affected by Chromium price and the increased production capacity of the cold-rolled coil products in China. Price and sales volume increased in July.
- Increase product diversity
  - Will add one CPL to increase production capacity and improve product mix
  - 400 Series Stainless Steel

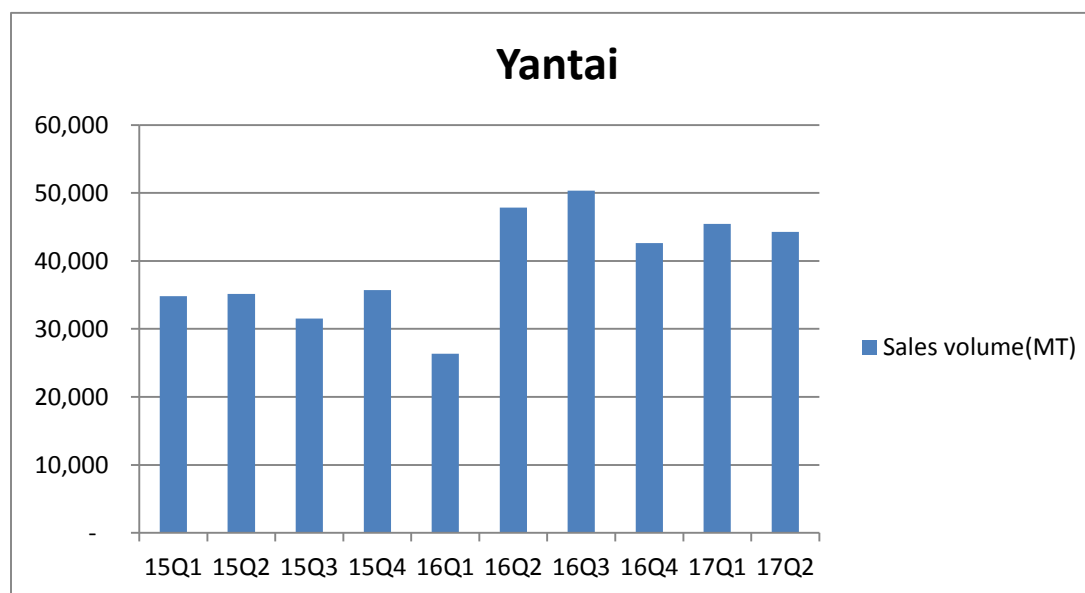
Unit: NTD




# Stainless Steel Business - Mainland China

## ■ Mainland China

- Production of a large number of intermediate furnaces were suspended due to Mainland's plan to cut excess capacity and implementation of Industrial Green Development Plan (2016-2020). Demand and supply of the market became gradually stable, leading to gradual increase in sales volume and price.
- Stainless Steel Business in Mainland will increase high value product sales by continuously improving product quality and increasing defect-free rate of production process, in order to gradually decrease loss.



# Commercial Real Estate Business



Type	Status	Area(KM <sup>2</sup> )	Selling price (RMB millions)	Remarks
Resident	Closing	41.7	1,080	Revenue recognized in 2014
	Pre-sale	28.7	1,200	Expect to close in 2H 2017
	For sale	53.9	NA	Excluding 700 parking spaces
Office building	Closing	93.0	1,320	Revenue recognized in 2012
	Pre-sale	60.6	1,050	
	For sale	41.9	NA	Excluding 280 parking spaces
	Under construction	124.7	NA	Office building attached to the mall, excluding 650 parking spaces
Mall	Under construction	139.7	NA	Excluding 1250 parking spaces

- The rental rate of Taipei Xinyi Headquarter is close to 100%, with annual rental revenue of around TWD 700 million.
- The shopping mall is expected to be open by the end of 2018.

# Summary

- **With the development of globalization and information technology, market volatility has accelerated; overcapacity and trade protectionism has become the norm of stainless steel and wire and cable industry. To overcome the challenge, other than focusing on the current core business, the Company has implemented the following countermeasures to enhance its core competencies**
  - Hire a Chief Technology Officer and a Chief Information Officer
  - Promote smart manufacturing/factory to improve productivity
  - Continue to create the environment and culture for learning