

# Investor Conference

Stock Code 1434

**FORMOSA TAFFETA CO., LTD**

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# Agenda

- I. Corporate Overview
- II. Sales Statistics
- III. Competitive Advantages
- IV. Financial Status
- V. Development Plans
- VI. Q&A



# Corporate Overview



## Corporate Profile

- Established Date: April 19, 1973
- Main Members: Formosa Taffeta Co., Ltd. (FTC),  
Formosa Advanced Technologies Co., Ltd. (FATC),  
Formosa Development Co., Ltd.
- Listing Date: December 24, 1985
- Capital: NT\$16.85 billion (Data dated September 30th, 2017)
- Number of employees: 9,371(Data dated September 30th, 2017)
- Locations of Factories: Headquartered in Taiwan, 2 in China, and 2 in Vietnam
- Business Area: Woven fabrics, tyre cord, cotton spun yarn, blended yarn, protective; petroleum /diesel; assembling | testing | module services (FATC)
- Market Position:
  - The most productive factory of woven fabrics and tyre cord in Taiwan
  - The first global exclusive authorized producer of Gore
  - FTC Gas Station (FTC's subsidiary) is the 4th largest channel in Taiwan

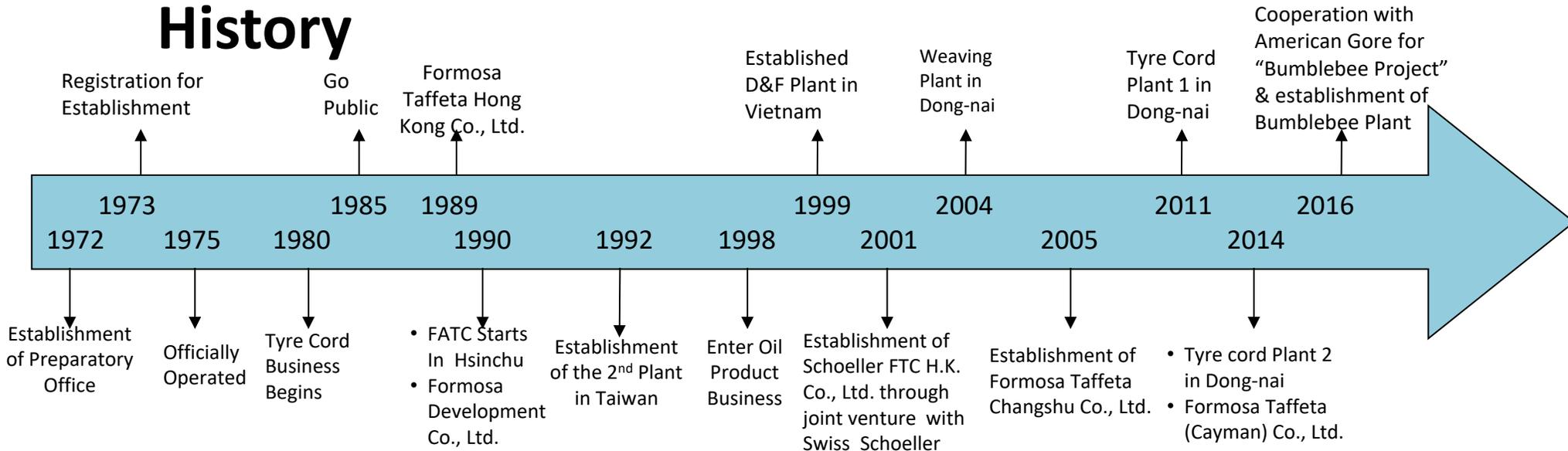
# Production Bases



Legend: Base Name (Founded Year)



# History

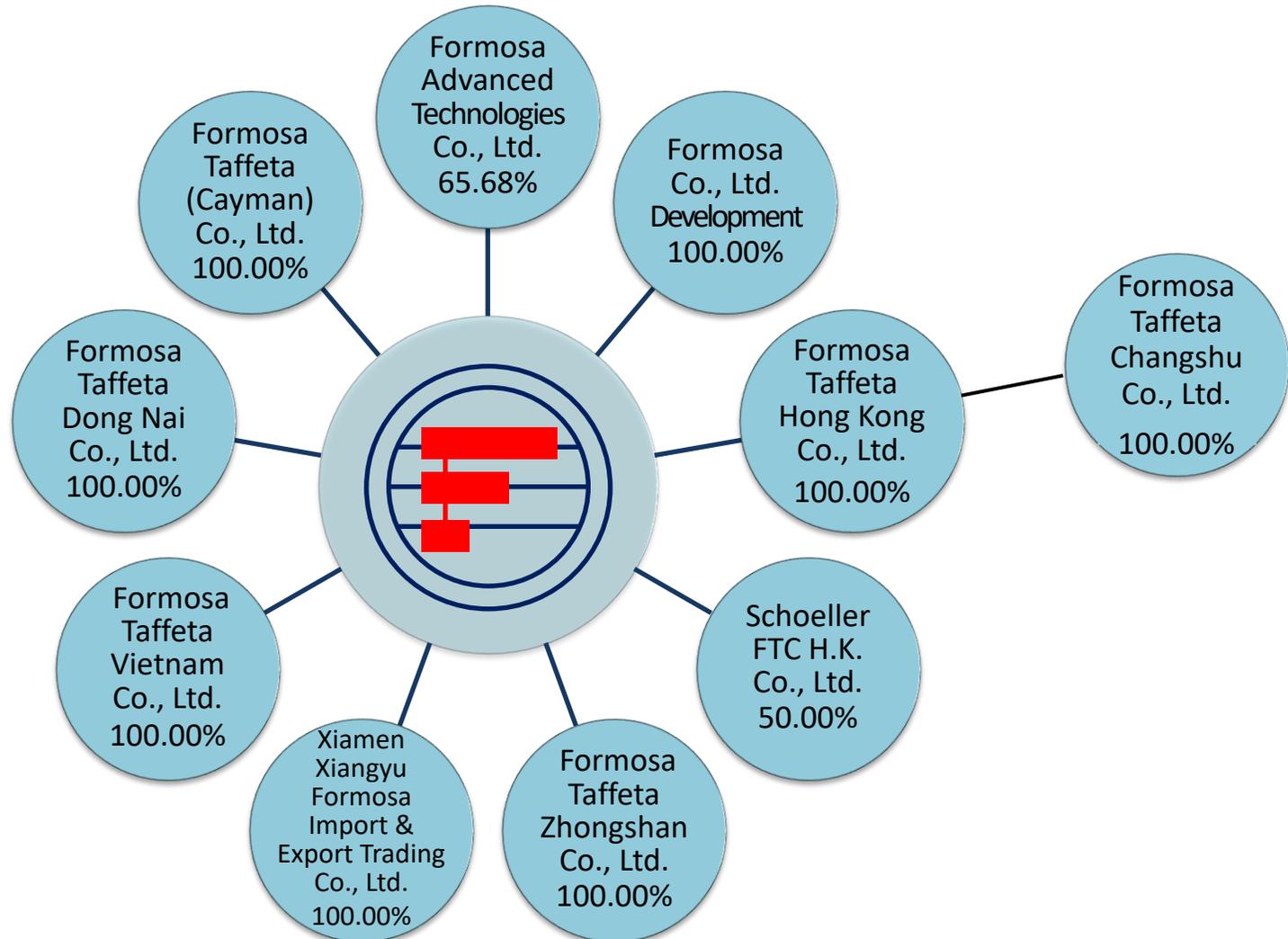


- Establishment of Formosa Taffeta Fiber Co, Ltd. in April, 1973
- Being renamed Formosa Taffeta Co., Ltd. and establish umbrella bone plant in January, 1979
- Established tyre cord plant in 1980
- Go public on December 24, 1985
- Establish Formosa Advanced Technology Co., Ltd. And Formosa Development Co., Ltd. In 1990
- Establish the 2<sup>nd</sup> Plant in Taiwan and Formosa Taffeta Zhongshan Co., Ltd. in 1992
- Merged pants material Plant of Rui-yuan Co., in Long-an of Vietnam and name it as Formosa Taffeta Vietnam Co., Ltd. in 1999
- Established Schoeller FTC H.K. Co., Ltd. through joint venture with Swiss Schoeller in 2001
- Established Formosa Taffeta Dong-nai Co., Ltd. in 2004
- Cooperated with American Gore to manufacture high performance breathable waterproof coating and laminated fabrics; the collaborated factory built in 2016 is Gore's 6<sup>th</sup> production base in the world.



# Subsidiaries and Holding Ratios

Formosa Taffeta Co., Ltd



## Products of 2<sup>nd</sup> Business Segment and Scope of Their Applications

### Polyamine fabric

- Wet breathable & waterproof rain coat, skiwear and jackets
- Garments, down jackets, sportswear, hunting suits
- Hats, gloves
- Tents, air beds, sails
- Umbrellas | parasols, golf umbrellas, beach umbrellas
- Shields with electromagnetic insulation

### Cotton fabric, blended fabric, fabrics interwoven with filament/staple fiber, pre-dyed plaid

- Garments, jackets, shirts
- Umbrellas | parasols
- Backpacks
- Medical health care supplies

### Polyester fabric

- Sports casual wear
- Microfiber clothing
- Curtains
- Umbrellas | parasols

### New functional yarn

- Sports casual wear, hats, coats
- Bedding
- Health care supplies
- Umbrellas | parasols
- Special processing purpose
- Diverse woven/knitted fabrics

## Products of 2<sup>nd</sup> Business Segment and Scope of Their Applications

### Combed cotton yarn, blended yarn

- Diverse woven/knitted fabrics for various garment
- Cotton and blended fabrics
- Fabrics interwove with filament/staple fiber
- Pre-dyed plaid

### Protective/special fabric

- Flame retardant/resistant fabric
- Air force flight suits, tank suits, Secret Service suits, firefighting suits, electric arc suits, motorcycle suits
- Clean-room clothes/aseptic clothes for electronic, foodstuff, and pharmaceutical factories
- Sterile gown, wrapping fabric, petroleum clothes, anti-electric arc clothes, uniform for policemen and servicemen, bullet-proof/stab-proof clothes
- Helmet, shield
- Drum paper for speaker, damper fabric for stereo equipment

### Plastic bags

- Plastic shopping bags
- Perforated bags
- Garbage bags

### Carbon fiber fabrics as composite materials

- Sports equipment, bicycles, motorcycles, automobiles
- Aerospace industry, electronic products, industrial mechanical arms and mechanisms
- Electronic products
- Construction reinforcement
- Wind turbine blades

## Products of 2<sup>nd</sup> Business Segment and Scope of Their Applications

### Tyre cord fabrics

- Tire cord fabrics for various vehicles
- Chafers for tyre-lips
- Puncture resistant fabric for bicycle tires
- Lining canvas or ducks for conveyor belts

### Oil products

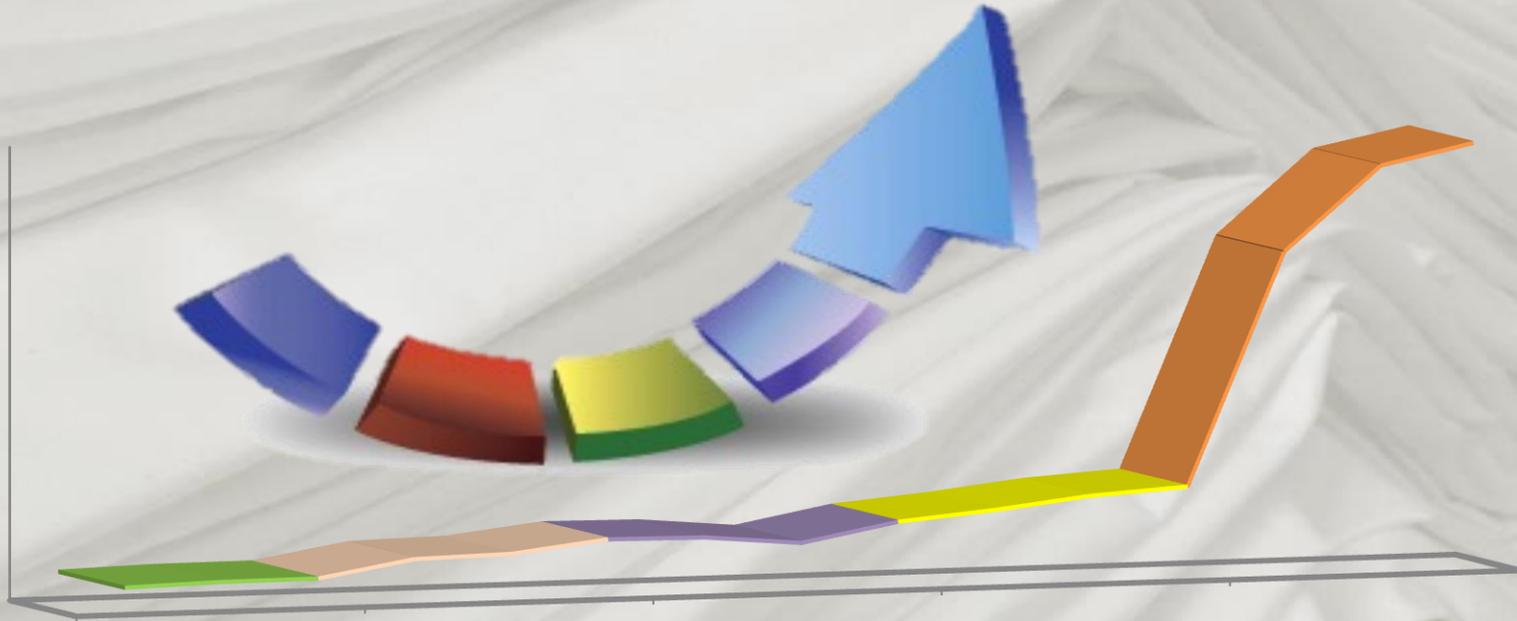
- Diesel, petroleum in 98 、 95+ 、 92
- Car wash
- Lubrication, car appliances

## FATC's Business and its Scope of Application

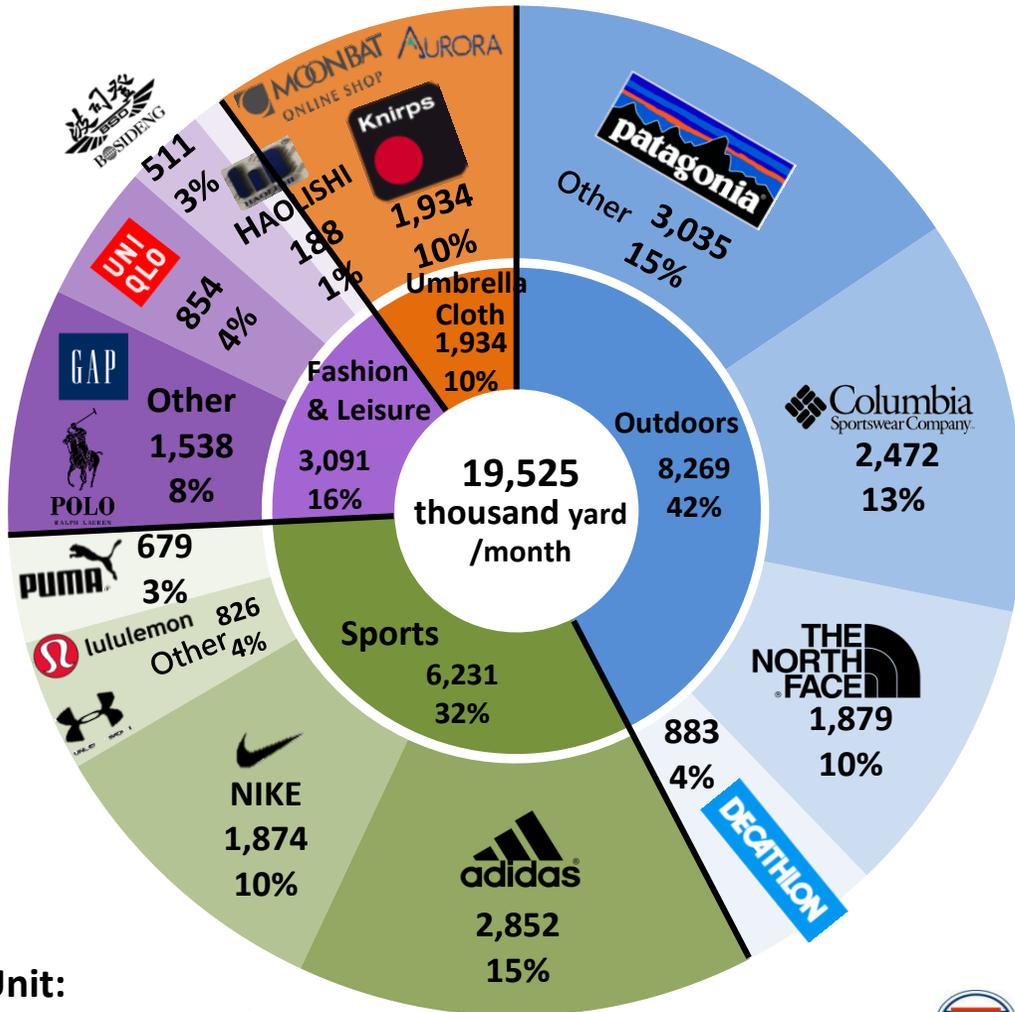
### IC Assembling | Testing | Module

- Services of assembling, testing, module and R&D of any types of IC

# Sales Status



# Sales Volume Constitution of Woven Fabrics \_by Brand Customers

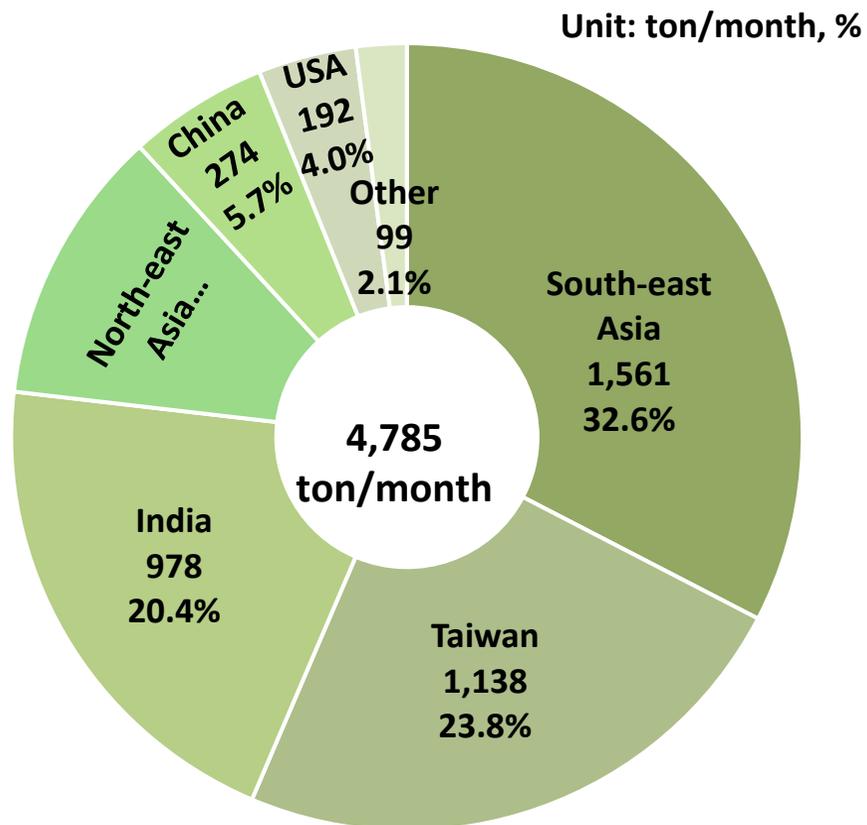


Unit:  
thousand yard/month, %

| Usage             | Required Cloth   | Functionality   |
|-------------------|--|---|
| Outdoors          | Functional fabrics, Coating & lamination                                 | moisture permeability, waterproof, light-weight and keeping warm    |
| Sports            | Functional fabrics Stretch and multi-functions                           | moisture absorption and quick drying, deodorant, and anti-bacterial |
| Fashion & Leisure | Material, stretch, handfeel that focus on the variety of garment styles. | natural hand feel stretch   |
| Umbrella Fabric   | Sun-blocked and rain protection.   | UV-cut, shading and cooling   |



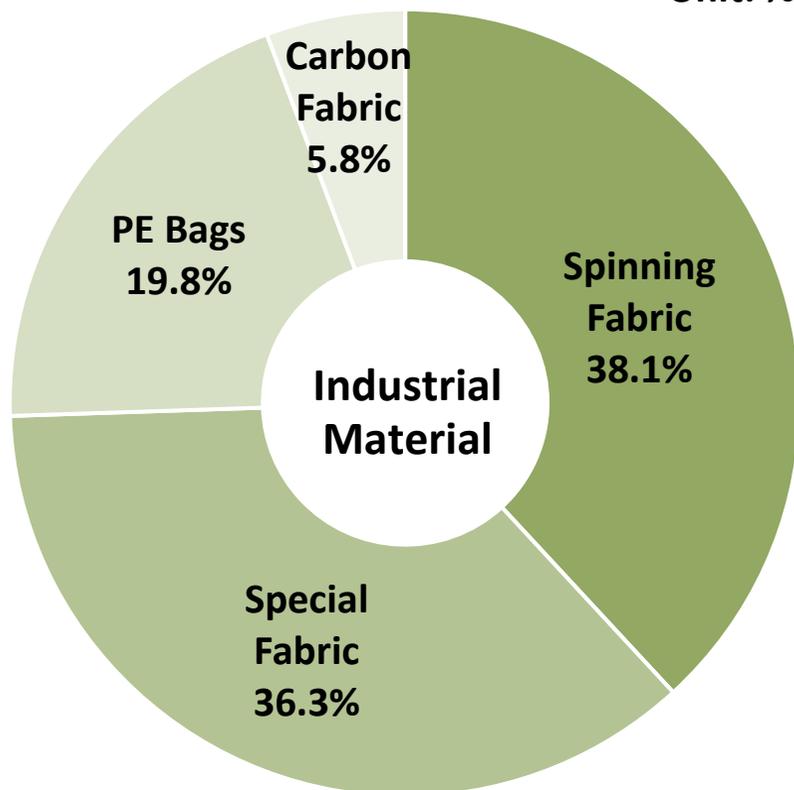
# Sales Constitution of Tyre Cord Business \_ by Area



| Area            | Representative customers                 |
|-----------------|--|
| Taiwan          | ●Cheng Shin ( Maxxis )      ●Kenda       |
|                 | ●Bridgestone      ●Federal               |
|                 | ●Hwa Fong      ●Nankang                  |
| Japan           | ●Yokohama   ●Sumitomo   ●BS              |
| Korea           | ●Hankook   ●Hung-A   ●Kumho   ●Nexen     |
| India           | ●MRF   ●Apollo   ●JK   ●Ceat             |
| Europe          | ●Continental   ●Michelin   ●Pirelli Tire |
| USA             | ●Goodyear   ●Cooper   ●Titan             |
| South-east Asia | ●Multistrada      ●Samson                |
|                 | ●Casumina      ●Da Nang                  |

# Sales Revenue Constitution of Industrial Material Business \_ by Categories of Products

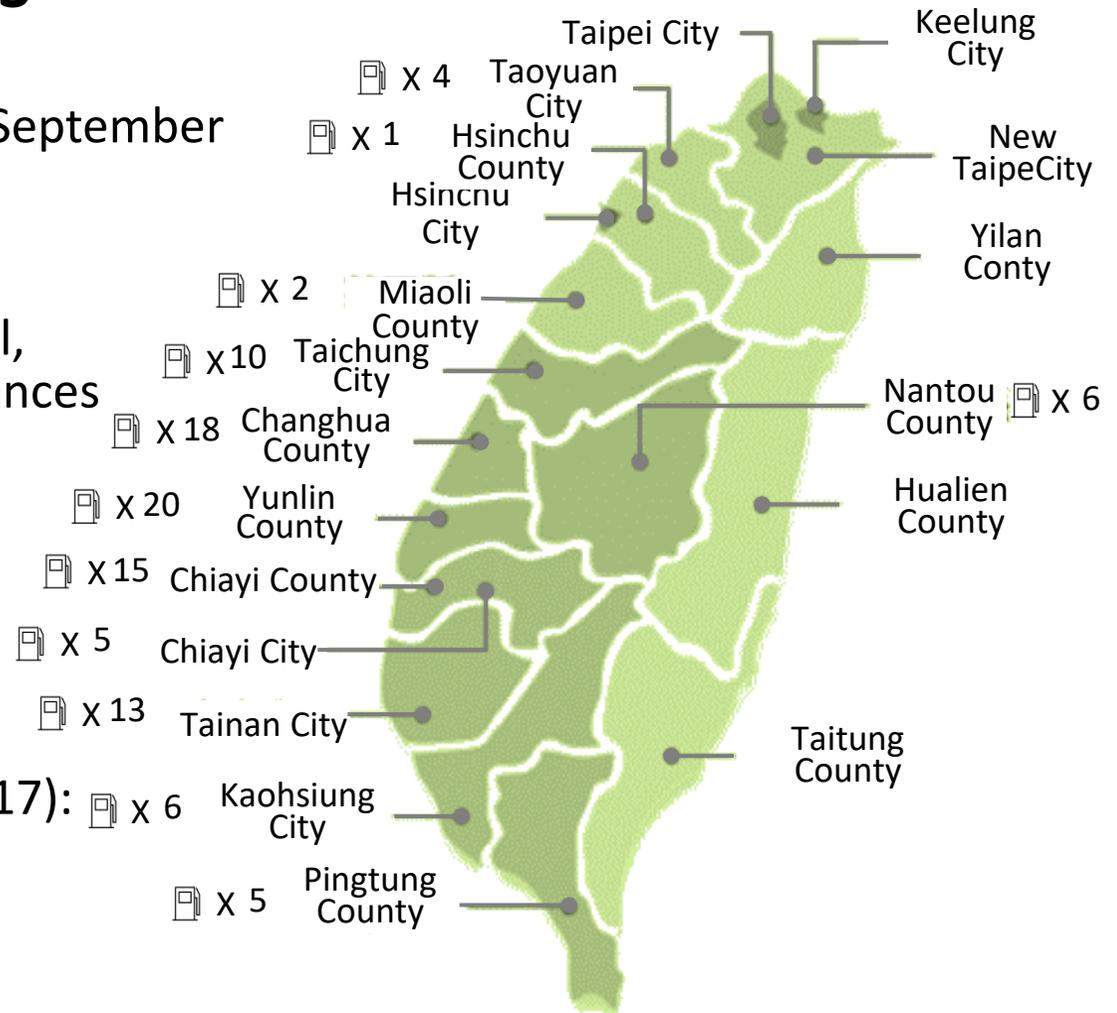
Unit: %



| Product              | Application   |
|----------------------|---|
| Spinning Fabric      | Conventional Yarn, Functional Yarn, MVS Yarn                    |
| Special Fabrics      | Flameproof fabric, Bulletproof fabric, Anti-static fabric       |
| PE Bags              | R-Bag, T-Bag  |
| Carbon Fiber Fabrics | Woven carbon fiber cloth, Carbon fiber panel, UD prepreg fabric |

# Petroleum Business

- 105 stations across Taiwan by September 2017
- Services:
  - Sales of petroleum, diesel, lubrication and car appliances
  - Car wash
- High-quality oil with stable supply source—100% from Formosa Petrochemical Corporation Co., Ltd. (FPCC)
- Sales revenue (Jan. ~ Sept., 2017): NT\$ 7.87 billion



# Competitive Advantages



# Core Competitiveness

## Plan of Production and Sales

FTC R&D Center in Taiwan is the center of fabric design and development. Production bases were built in south-east Asia to benefit from Preferential Tariff Scheme for ASEAN Free Trade Area and low labor cost and increase competitiveness of products

## Vertical integration

FTC integrates supply chain to meet brand customers' requirements of ODM and shorter delivery time

## Strong R&D Capabilities

FTC 's strong capabilities In R&D and product design enable us to cooperate with brand customers to further develop new product that meet their requests in a timely fashion.

## Being eco- friendly

FTC uses recycled resources, advocating of energy saving and carbon reduction. We pursue green materials and efficient management of toxic chemicals. To further realizing the green production processes.

# Formosa Plastic Group's Plan of textile Products

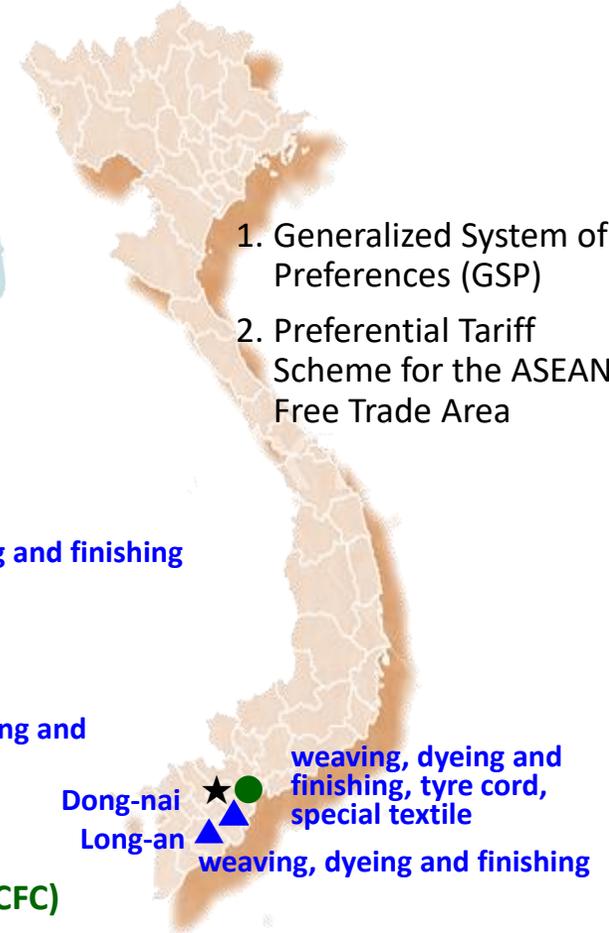
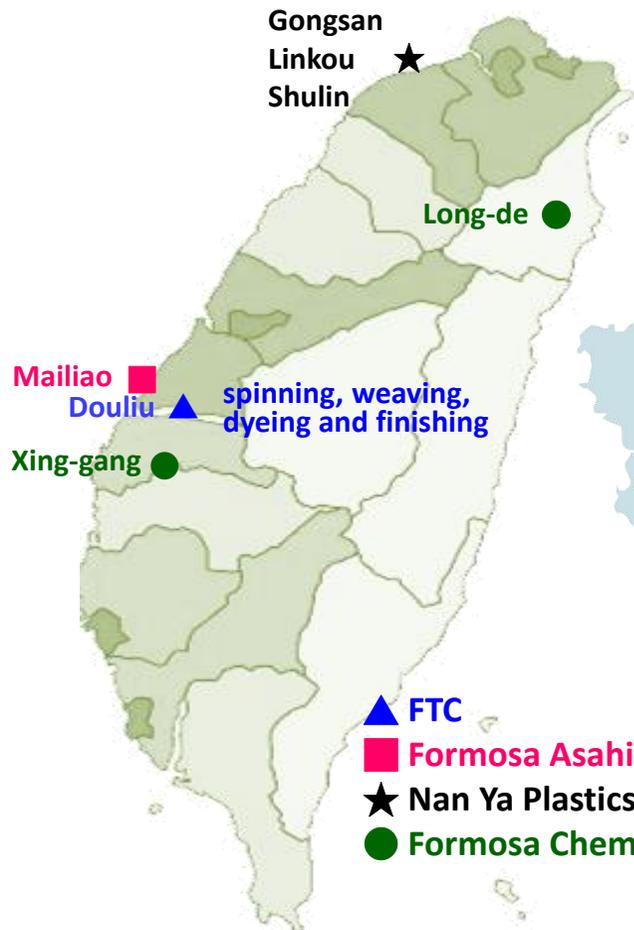
## Taiwan

## China

## Vietnam

1. Advantage in China's domestic trade
2. Preferential Tariff Scheme for the ASEAN Free Trade Area

1. Generalized System of Preferences (GSP)
2. Preferential Tariff Scheme for the ASEAN Free Trade Area



- ▲ FTC
- Formosa Asahi Spandex Co., Ltd (FAS)
- ★ Nan Ya Plastics Corporation (NPC)
- Formosa Chemicals & Fibre Generalized System of Preferences (FCFC)



# Being Eco-friendly

To carry out sustainability and environmental protection, FTC has obtained the following certificates since 2009:

## Certification Items

Certificates of Eco Products & Production Processes : Oeko-Tex<sup>®</sup> Standard 100 Certification

Organization Quantification and Reporting of Greenhouse Gas (GHG) Emissions (ISO 14064-1)

Occupational Health and Safety Administration System Certification (OHSAS 18001), 2007

Taiwan Occupational Safety and Health Management System (TOHMAS Certification)

GOTS Organic Cotton Certification

OE Organic Cotton Certification

GRS Polyester Recycle Standards

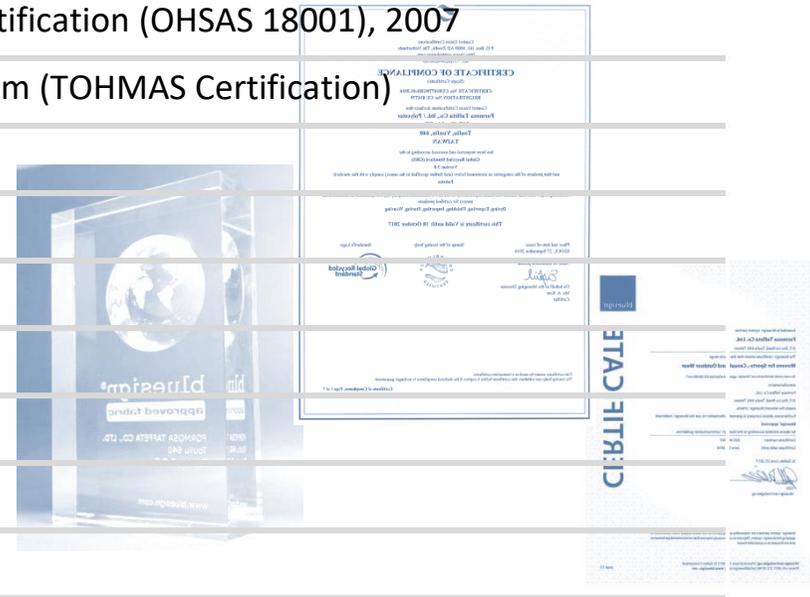
Environmental Management System (ISO14001), 2004

Quality Management System (ISO 9001), 2008

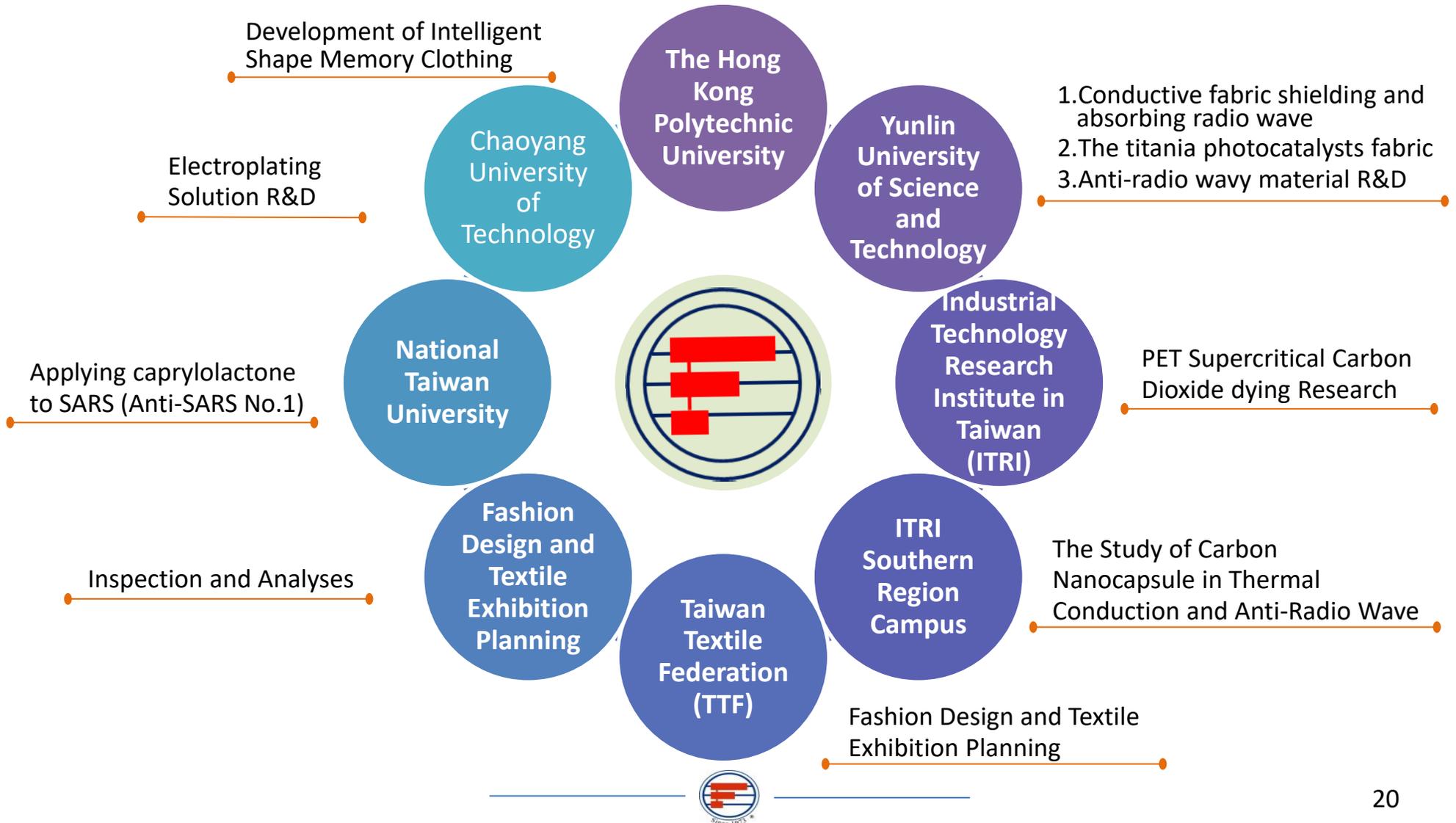
bluesign<sup>®</sup> Standard Certification

Product Carbon Footprint Certification PAS2050, 2011

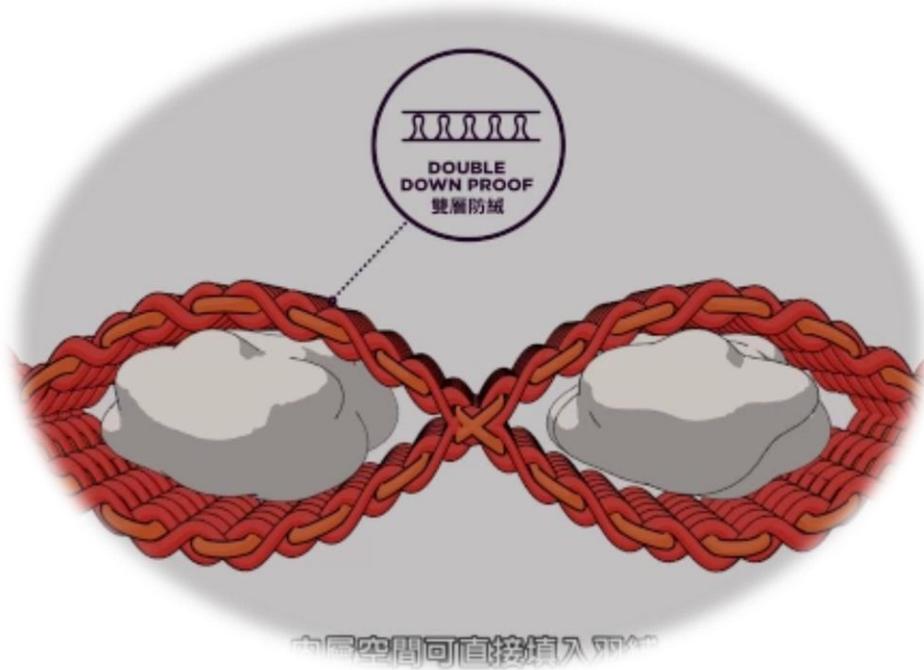
Energy Management System (ISO 50001), 2011



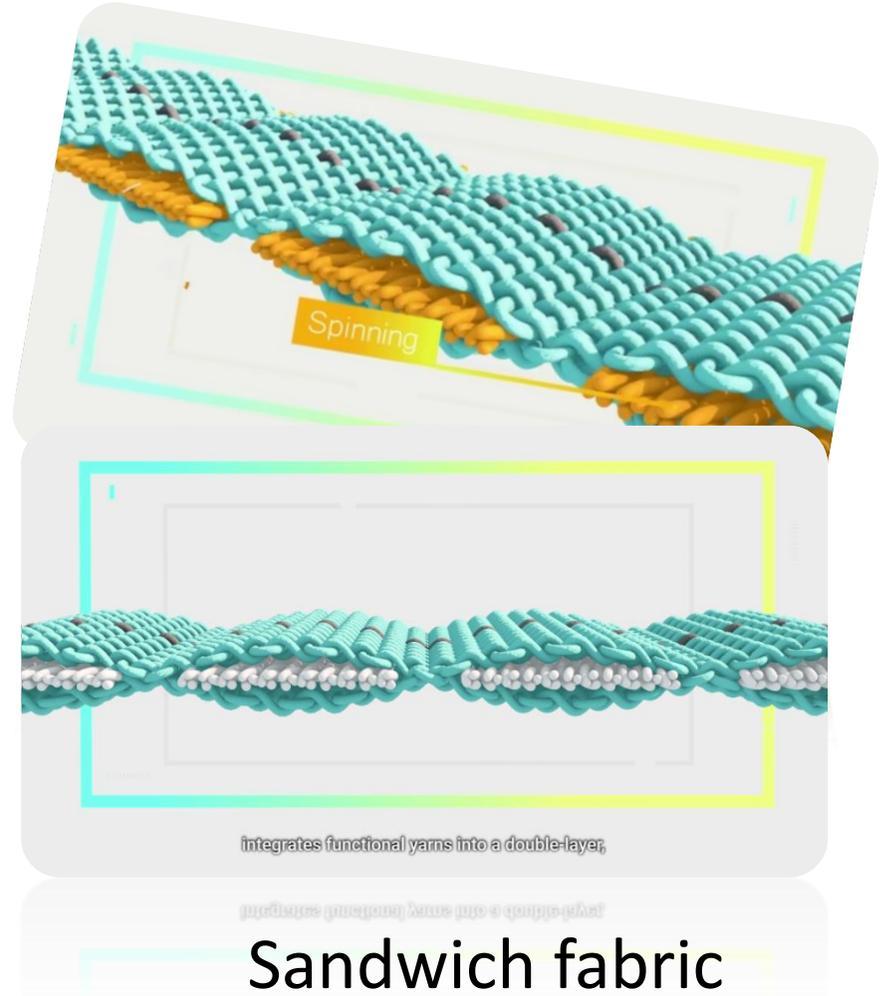
# Strong R&D Capabilities \_ External Associations Participation



# Strong R&D Capabilities\_ Our developments



Double weave baffle



Sandwich fabric

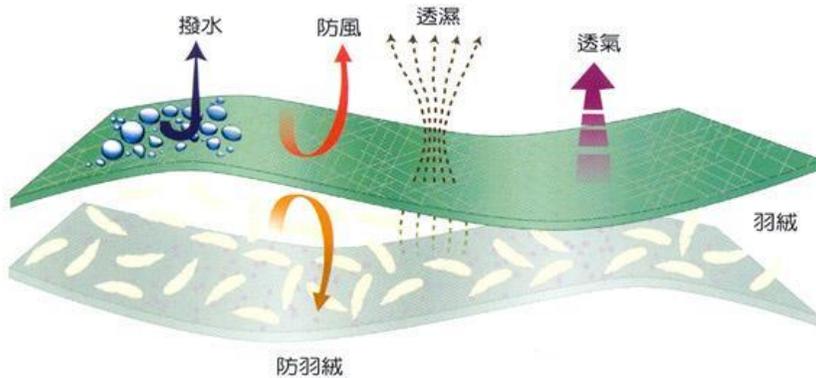
# Strong R&D Capabilities\_ Our developments (Cont.)



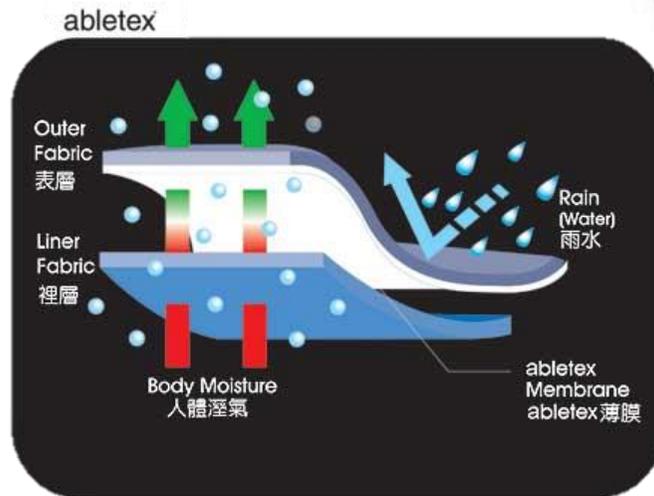
## Fuse yarn



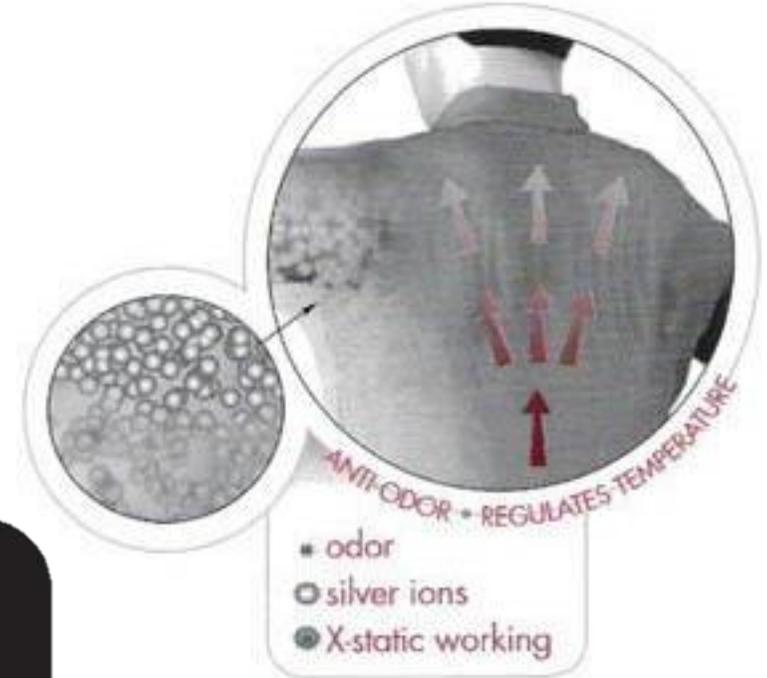
# Strong R&D Capabilities\_ Our developments (Cont.)



High density down proof fabric



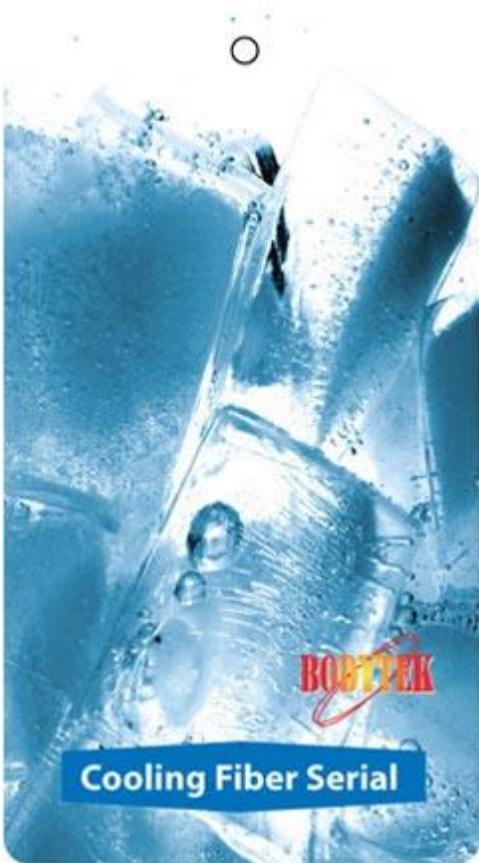
Breathable waterproof coating and laminated fabrics



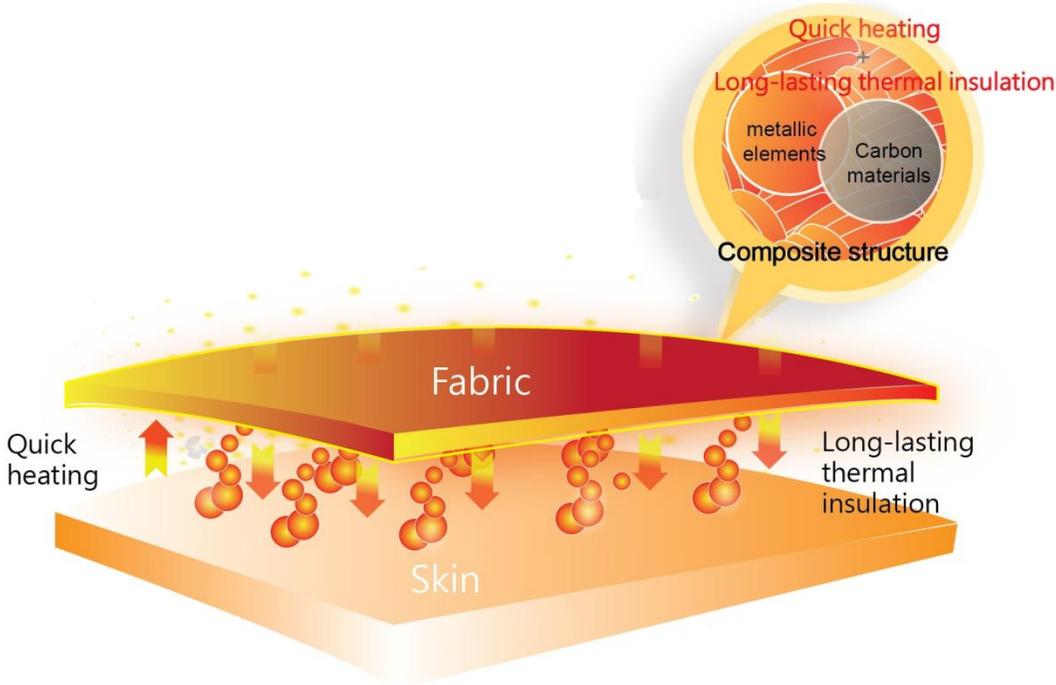
X-Static Fiber Yarn



# Strong R&D Capabilities\_ Our developments (Cont.)



Cooling Down Fiber Yarn



Permawarm®

# FTC's Own & Authorized Brands

**Nanodermis\***  
柔細膚感織物

**光熱寶**  
蓄熱保濕機能織物



**PERMACOOL™**  
涼感織物

**SmarYa™**  
記憶的智慧型布料

**abletex®**  
微多孔型透溼防水織物

**PERMADRY®**  
吸濕快乾織物

**光熱龍®**  
光熱龍快熱蓄溫保暖織物

**PERMAWARM™**

**BOOMETEX™**  
新一代環保綠色產品

**绿活富**  
環保塗佈織物

**抑克電™**  
持久性抗靜電織物

**e-decay™**

**Caladans™**  
雲染織物

**SUN-ECO®**  
奈米光觸媒抗菌消臭織物

**M2PTEx® e**

**Aquaoff\***  
超臨界CO2無水染色織物

**UVoutex®**

**FONEWR Nano®**  
超耐久性奈米撥水織物

**Trans-Uno®**  
單向導濕織物

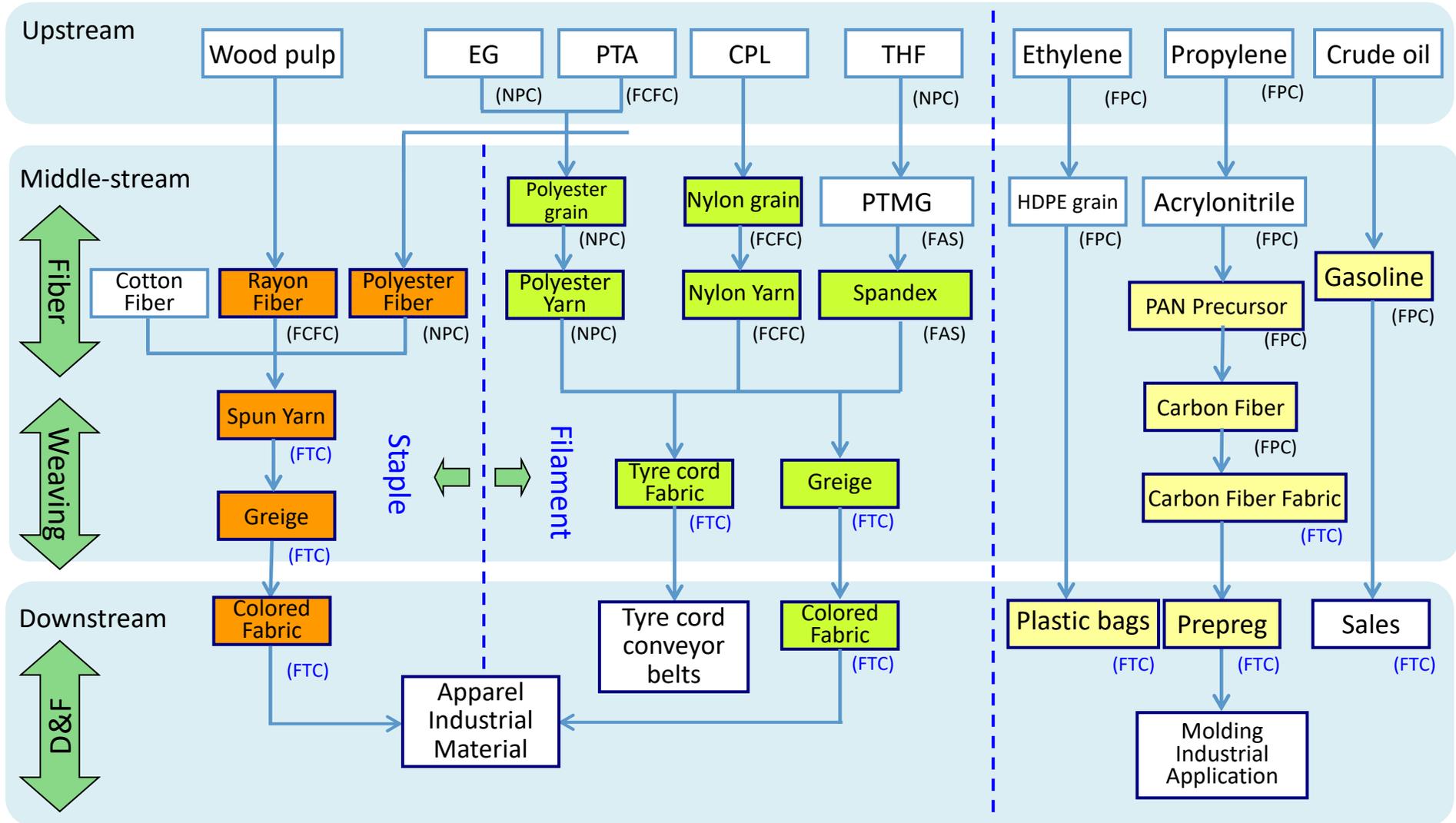
**Hü-Sett®**

**Microfeel®**

超細纖維布料 26



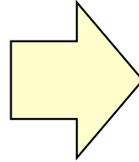
# Vertical integration of FPC's Raw Materials



# Strategic Alliance through Vertical Integration for FTC's Textile Products

Brand customers request

- 1) fabrics for garment factory production
- 2) yarn that is special and in small volume



The downstream drive the upstream to collaboratively develop brand customers.

- 1) The upstream can fully understand the end customers' needs to catch/lead the trend.
- 2) FTC can provide better integrated service.

Upstream

Raw material

(NPC、FCFC)

Yarn

Request Desired Yarn (small volume and special)

Production Bases of garment Under Strategic Alliance

Fabric

Request Desired Fabrics



Garment

Place an order

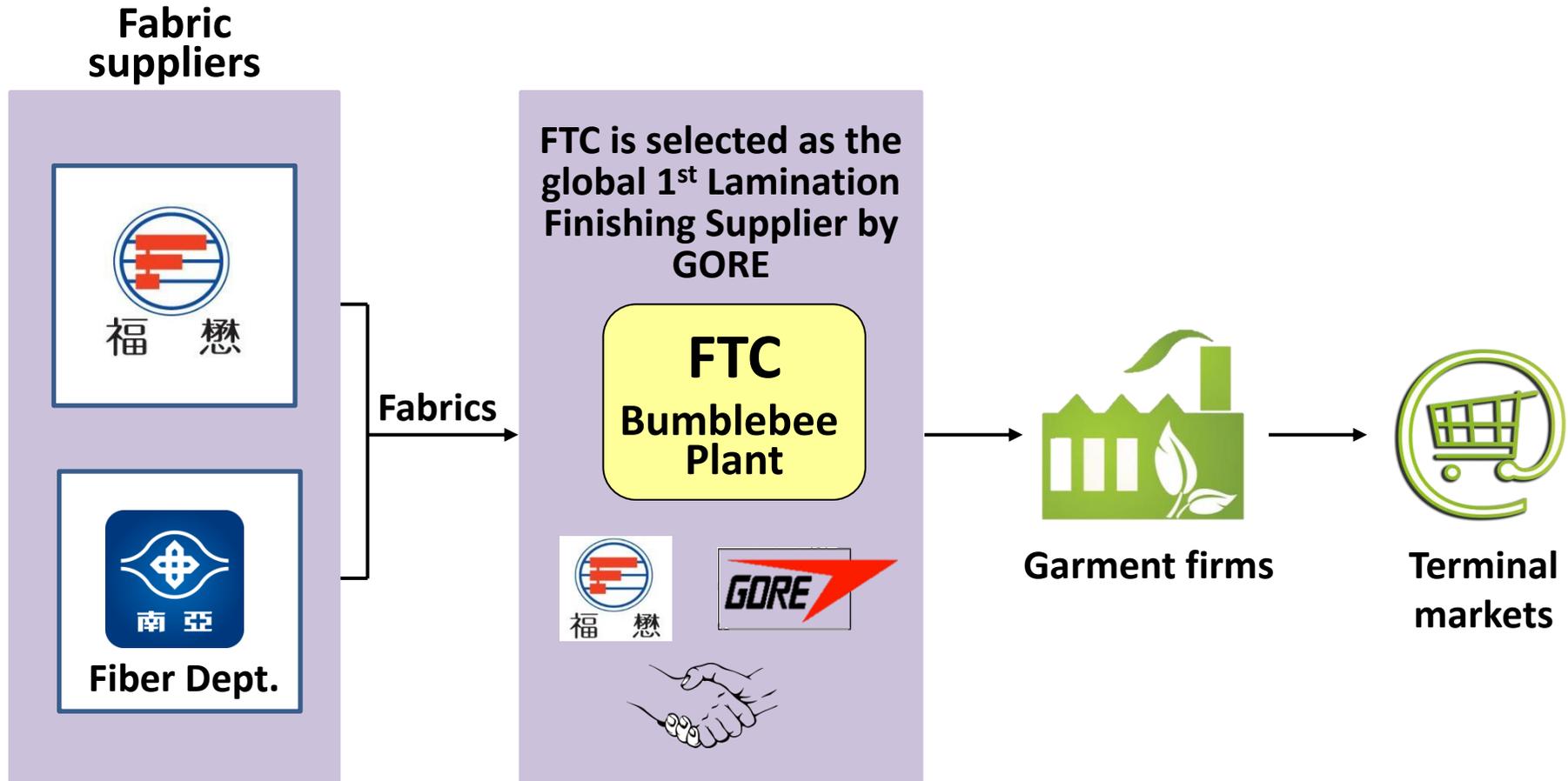
Brands

Brand Customers

Downstream



# Strategic Alliance between FTC and GORE

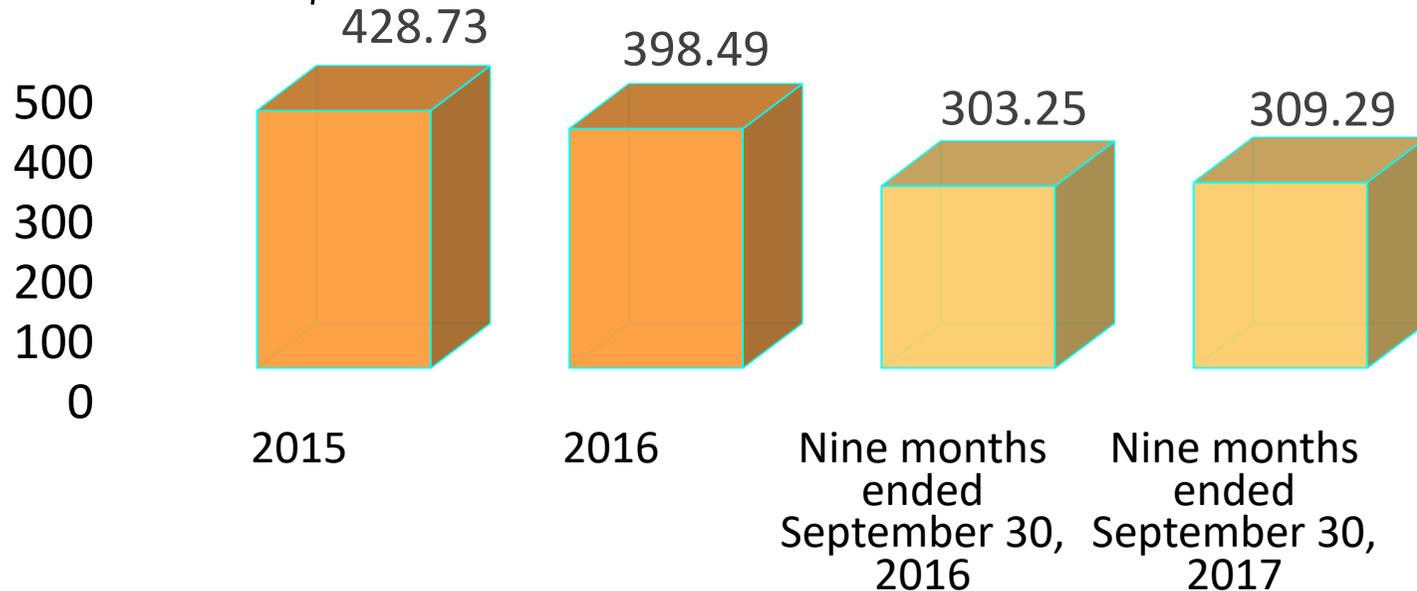


# Financial Status



# Sales Revenue in Consolidated Financial Statements

Unit: hundred million NT\$

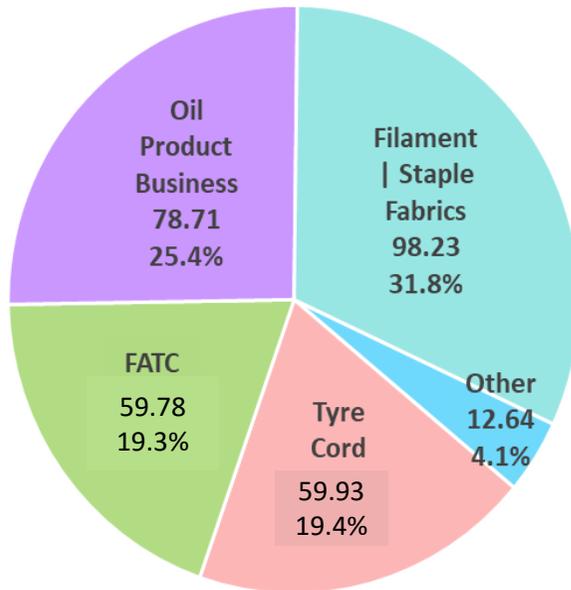


➤ **Reasons that sales revenue of 2016 is 7.0% less than that of 2015 are:**

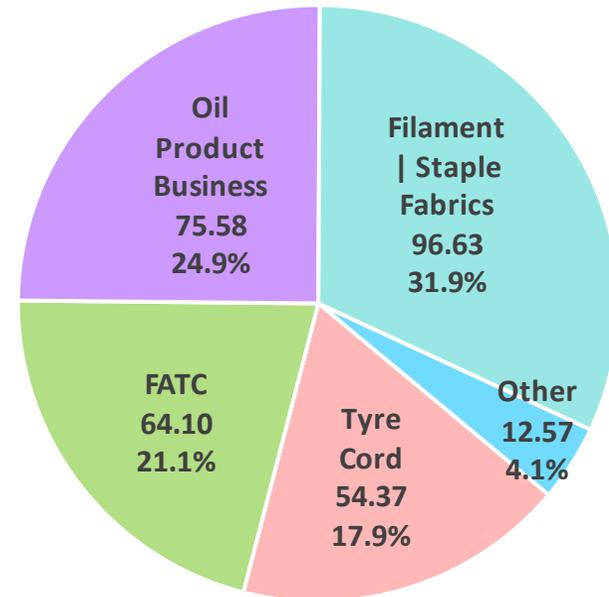
1. Declined sales of sports and outdoors wear, resulting from brand customers' reduction of purchase volume and adjustment of their stock;
2. Reduced sales of tyre cord, due to weak global demand, tariff barriers on exports and competition in the same line;
3. Drop of the retail price of oil because of the falling international oil price.

# Structure of Sales Revenue \_ by Business

Sales Revenue of nine months ended in 2017  
NT\$ 309.29 hundred million



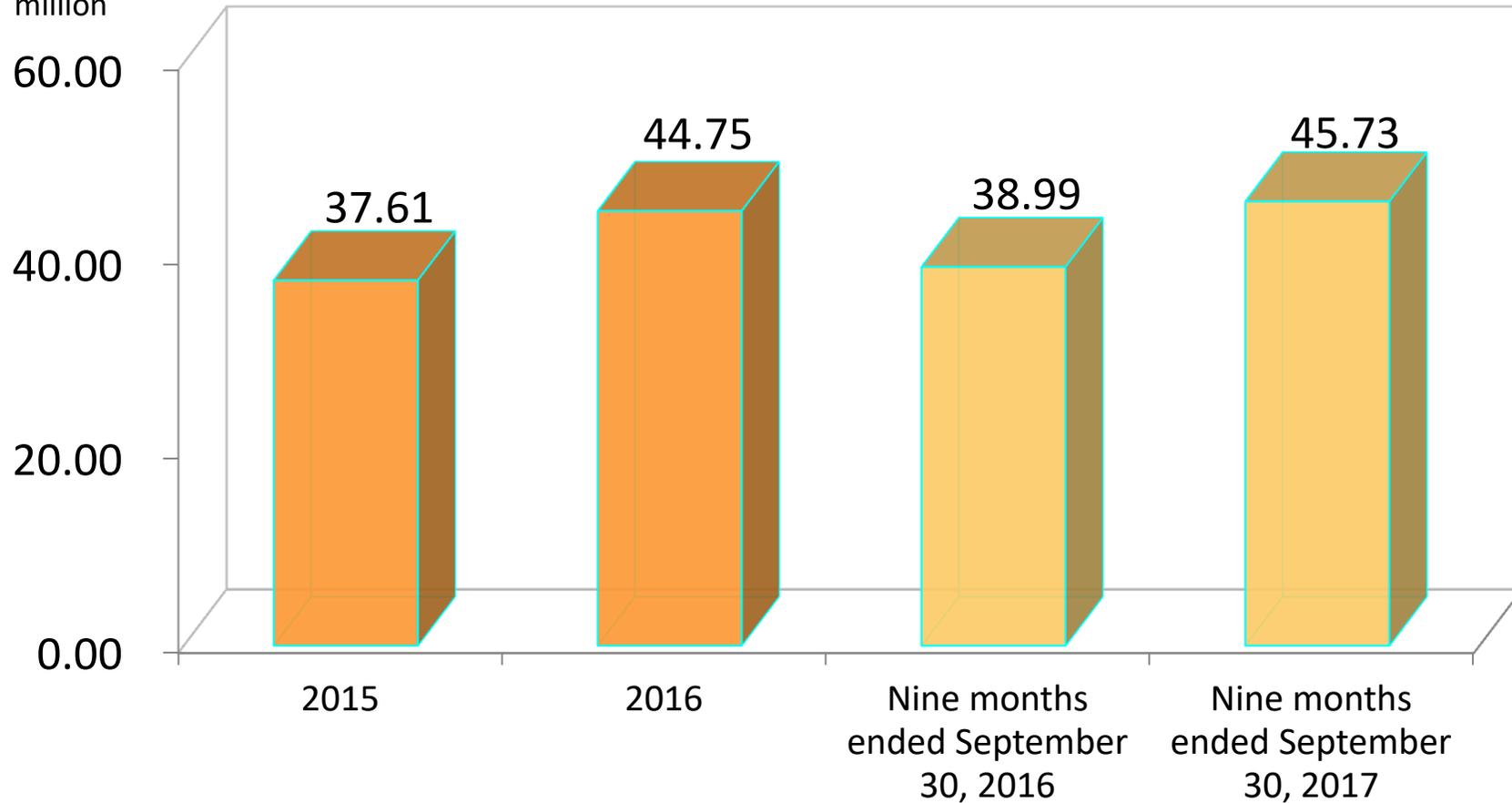
Sales Revenue of nine months ended in 2016  
NT\$ 303.25 hundred million



- Sales revenue of nine months ended in 2017 (NT\$ 309.29 hundred million) is 2.0% higher than that of 2016 (NT\$ 303.25 hundred million).
- Both sales volume and sales price of tyre cord go up.
- Sales volume and retail price of gasoline and diesel results in the increase of sales revenue.

# Consolidated profit before income tax

in one  
hundred  
million



# Consolidated Balance Sheet

| Consolidated Balance Sheet (Unit: thousands of New Taiwan dollars) |               |   |   |
|--|---------------|---|---|
| Items  | Year          | Nine months ended<br>September 30, 2017 | Nine months ended<br>September 30, 2016 |
|  | Sales revenue |   | 30,929,414                              |
| Operating costs  |               | (27,098,265)                            | (27,980,338)                            |
| Net operating margin   |               | 3,831,349                               | 4,354,121                               |
| Operating profit   |               | 1,814,636                               | 2,307,258                               |
| Non-operating income and expenses                                  |               | 2,758,611                               | 1,591,689                               |
| Profit before income tax   |               | 4,573,247                               | 3,898,947                               |
| Profit for the period  |               | 4,191,484                               | 3,377,743                               |
| <b>Profit attributable to :</b>                                    |               |   |   |
| Owners of the parent   |               | 3,848,539                               | 3,114,803                               |
| Non-controlling interest   |               | 342,945                                 | 262,940                                 |
| <b>EPS based on:</b>   |               | <b>(Unit: New Taiwan dollar/share)</b>  |   |
| Net income   | Before tax    | 2.72                                    | 2.32                                    |
|  | After tax     | 2.49                                    | 2.01                                    |
| Profit attributable to the parent                                  | Before tax    | 2.37                                    | 2.00                                    |
|  | After Tax     | 2.29                                    | 1.85                                    |



# Development Plan



# Operation Plan \_Expansion

| Product  | Area   | Investment Amount<br>(in thousands of NT\$) | Present Annual Capacity  | Annual Capacity after Expansion | Estimated Completion Date |
|--|--|---|--------------------------|---------------------------------|---------------------------|
| Filament fabric<br>(used for garment   umbrella)                     | Long-an Dying and Finishing Plant in Vietnam           | 315,212                                     | 6,120                    | 8,520                           | 2018/06                   |
|  |  |   | (ten thousand yard/year) |                                 |                           |
| High performance Breathable waterproof coating and laminated fabrics | Taiwan<br>(2 <sup>nd</sup> phase of Bumblebee Project) | 217,708                                     | 600                      | 1000                            | 2018/10                   |
|  |  |   | (myriameter/year)        |                                 |                           |
| Filament greige  | Dong-nai Weaving Plant in Vietnam                      | 152,815                                     | 427                      | 500                             | 2018/03                   |
|  |  |   | (ten thousand yard/year) |                                 |                           |
| Gas station  | Taiwan   | 37,094                                      | 515,285                  | 524,501                         | 2018/01<br>2018/04        |
|  |  |   | (kl/year)                |                                 |                           |
| Tyre cord  | Dong-nai Tyre Cord Plant in Vietnam                    | 490,290                                     | 19,200                   | 25,800                          | 2019/12                   |
|  |  |   | (ton/year)               |                                 |                           |
| <b>Total</b>   |  | <b>1,213,119</b>                            | —                        | —                               | —                         |

# Q&A