



**FORMOSA  
TAFFETA**



# 2018 Investor Conference

福懋興業股份有限公司

Formosa Taffeta Co., Ltd. (FTC)

Stock code: 1434

August 23, 2018

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# A G E N D A

- ☞ **Corporate Overview**
- ☞ **Sales Statistics**
- ☞ **Competitive Advantage**
- ☞ **Financial Status**
- ☞ **Operation Orientation**
- ☞ **Q&A**

# Corporate Overview

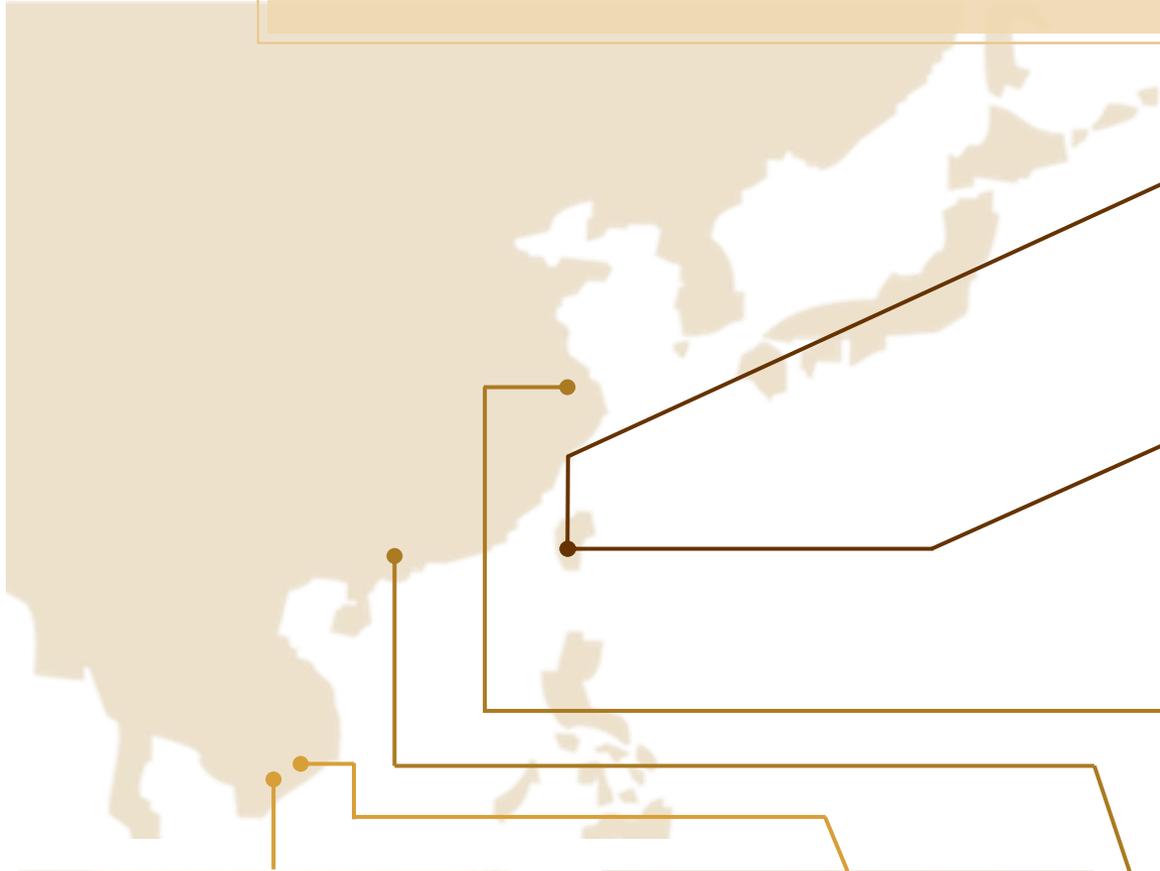


## Corporate Profile

<b>Established Date</b>	April 1973	<b>Listing Date</b>	December 24, 1985
<b>Capital</b>	NT\$16.85 billion		
<b>Number of global employees</b>	Taiwan	7,110	10,197 in total
	Oversea	3,087	
<b>Chairman</b>	William Wang		
<b>Vice Chairman</b>	Shih-Ming Hsie		
<b>President</b>	Ming-Chang Lee		
<b>Main operations</b>	<ul style="list-style-type: none"><li>● Production and sales of polyamine fabric, polyester fabric, spinning fabric and carbon fiber fabric</li><li>● Production and sales of tyre cord fabric</li><li>● Retail of petroleum and diesel</li><li>● IC assembly , testing, module</li></ul>		

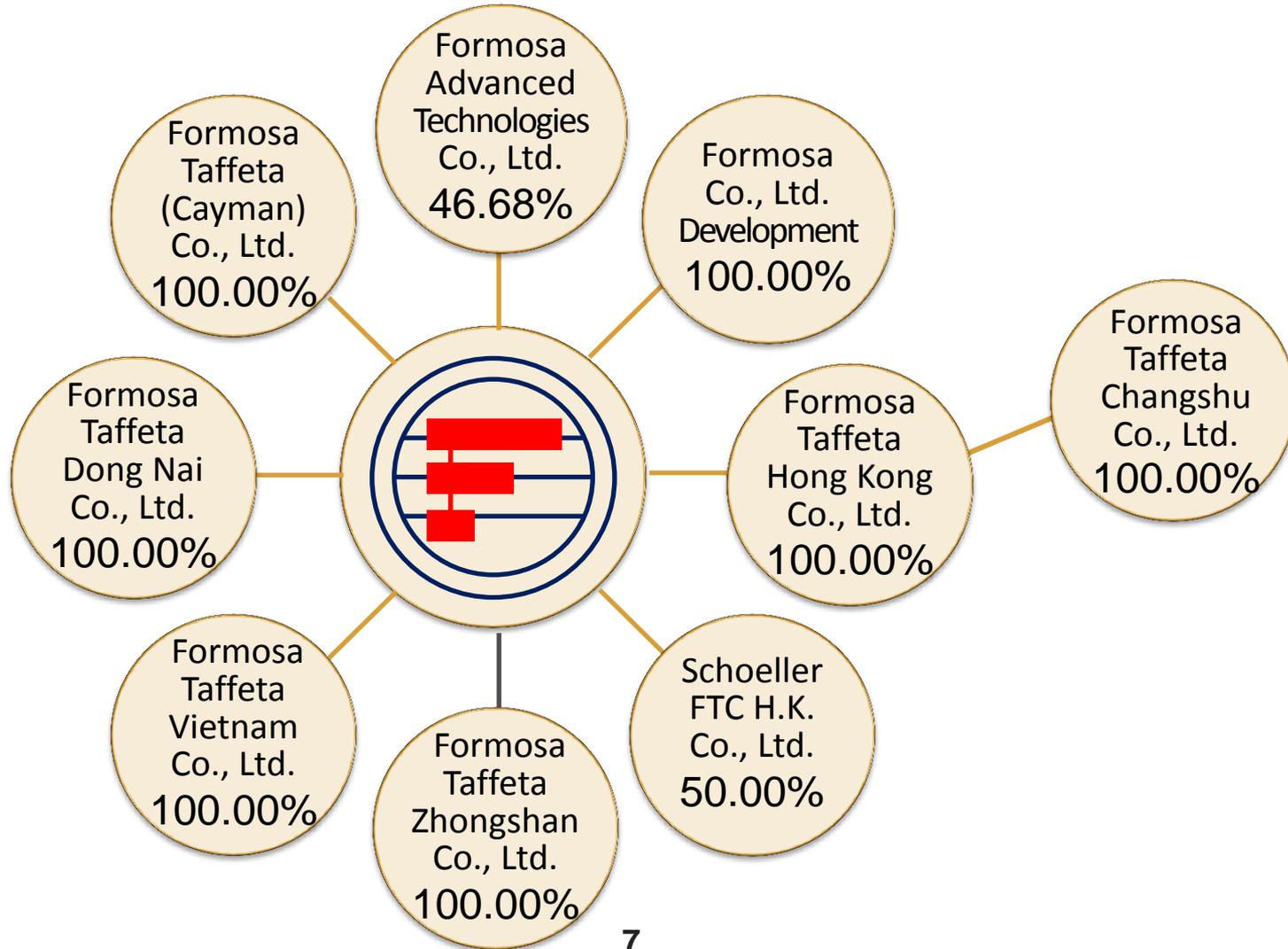


# Production Bases





## Subsidiaries and Holding Ratios





## Products of 1<sup>st</sup> Business Segment and the Scope of Related Applications

### Polyamine Fabric

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

### Polyester Fabric

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

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

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

### 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 the Scope of Related Applications

### Combed cotton yarn, blended yarn

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

### Plastic bags

- » Plastic shopping bags
- » Perforated bags
- » Garbage bags

### 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

### Carbon fiber fabrics as composite materials

- » Sports equipment
- » Bicycles, motorcycles, autos
- » 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 the Scope of Related Applications (Cont.)

### Polyamine/polyester Tyre cord fabrics

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

### Petroleum goods

- » The sale of diesel, petroleum in 98、95+、92
- » Car wash
- » Lubrication, car appliances

## FATC's Business and the Scope of Related Application

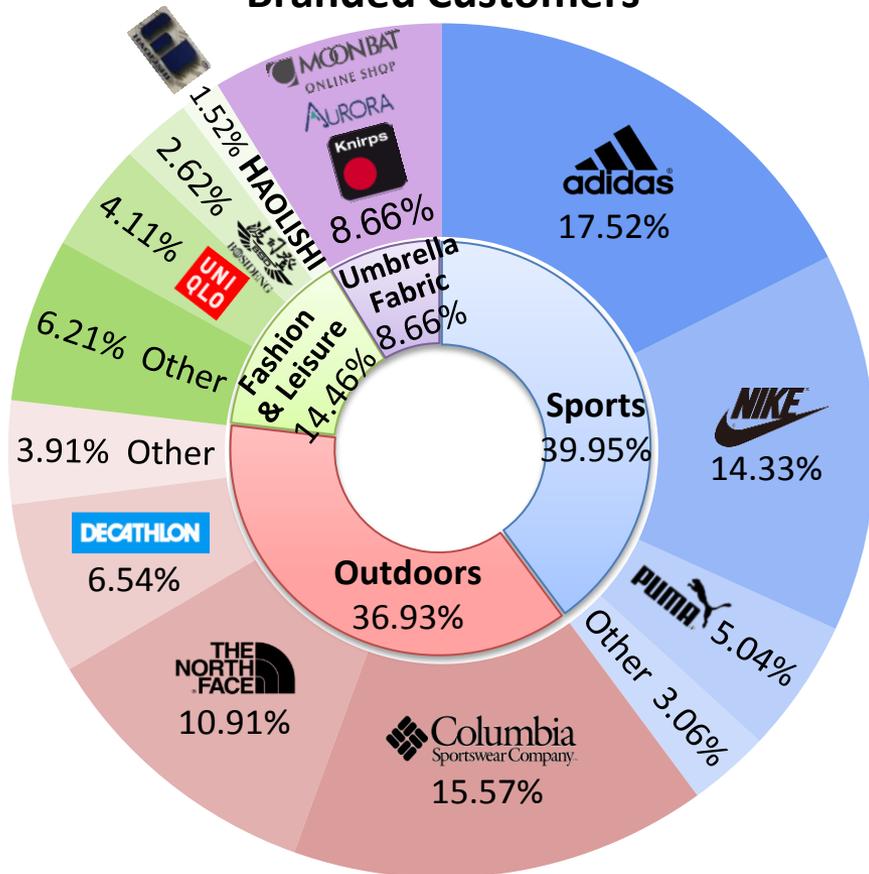
### IC Assembly | Testing | Module

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

# **Sales Statistics**

## Sales Volume Constitution of Polyamine/Polyester Woven Fabrics

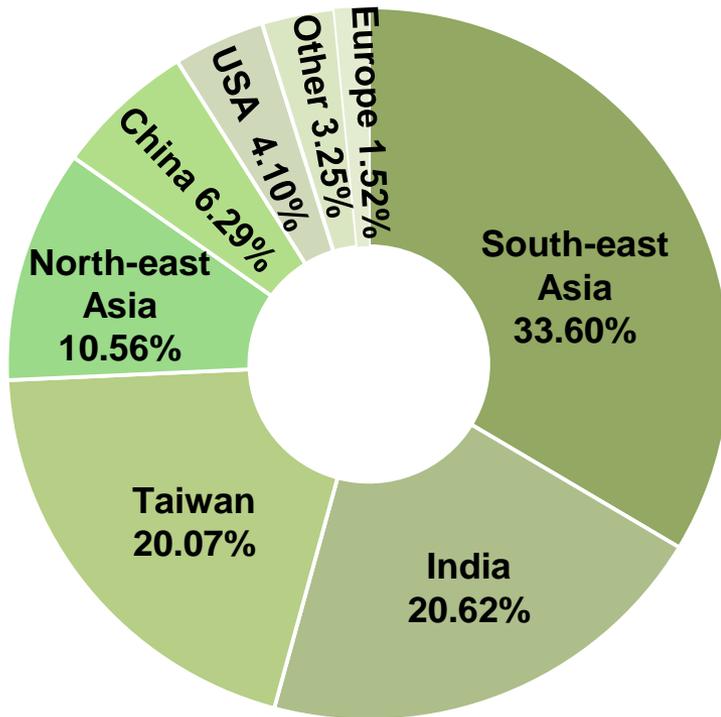
**Sales Volume Constitution of  
Woven Fabrics \_by Usage &  
Branded Customers**



Usage	Required Cloth	Functionality
<b>Sports</b>	fabric of flexibility and with multiple functions	moisture absorbent and quick drying, deodorant, and anti-bacterial
<b>Outdoors</b>	fabric with multiple functions, and coating & lamination processes	moisture permeability, waterproof, light-weighted and keeping warm
<b>Fashion &amp; Leisure</b>	fabric as materials and of flexibility, whose hand emphasizes variety of garment styles	natural hand flexibility
<b>Umbrella Fabric</b>	for both sunny and rainy days	UV-cut, shading and cooling-down

## Sales Constitution of Polyamine/Polyester Tyre Cord Business

**Sales Constitution of  
Tyre Cord Business \_ by Area**



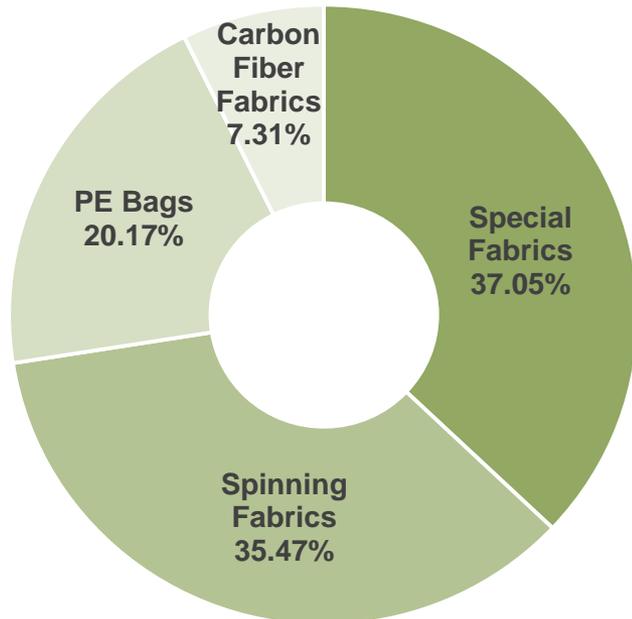
### Representative Customers

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



## Sales Revenue Constitution of Industrial Material Business

### Sales Revenue Constitution of Industrial Material Business \_by Categories of Products



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



# Petroleum Business

- Formosa Petroleum Station (FPS) operates 106 stations across Taiwan by June 2018, and their locations are shown as the right:



106 Stations of FPS



# Competitive Advantage



## Market Position

- ◎ The manufacturer with the hugest capacity of polyamine/polyester woven fabrics and tyre cord fabrics in Taiwan
- ◎ The first global exclusive authorized producer of Gore, headquartering in USA
- ◎ The 3<sup>rd</sup> largest channels of petroleum products in Taiwan



## Operational Strategies

### Embeddedness of Production and Sales

To improve product competitiveness through taking Taiwan as a R&D center and logistics platform for production and sales, deeply cultivating China's domestic market, and taking advantage of lower costs and Preferential Tariff Scheme for ASEAN free Trade Area as a result of Vietnam's industry cluster niche

### Vertical Integration

Cooperation with branded customers in design, development and manufacture through vertical integration of the supply chain of the textile industry

### R&D Innovation

Strong capabilities in R&D and product design allow FTC to cooperate with branded customers to develop new products and meet their needs in a timely manner.

### Green Sustainability

Use of recycled resources, avocations of energy saving and carbon reduction, pursuit of green materials, efficient management of hazardous chemicals, realization of green production processes

## Embeddedness of Textile Products \_ 5 Plants in 3 Countries

### Vietnam

1. Generalized System of Preferences (GSP)
2. Preferential Tariff Scheme for the ASEAN Free Trade Area
3. Advantageous Location, located in the Global Textile Industry Cluster \_ Maximized Benefits of Local-to-local Supply Chain



### Taiwan

1. Logistics Platform
2. R&D Center



### China

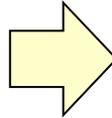
1. Advantages in China's internal trade
2. Preferential Tariff Scheme for the ASEAN Free Trade Area



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

**Branded customers appoint**

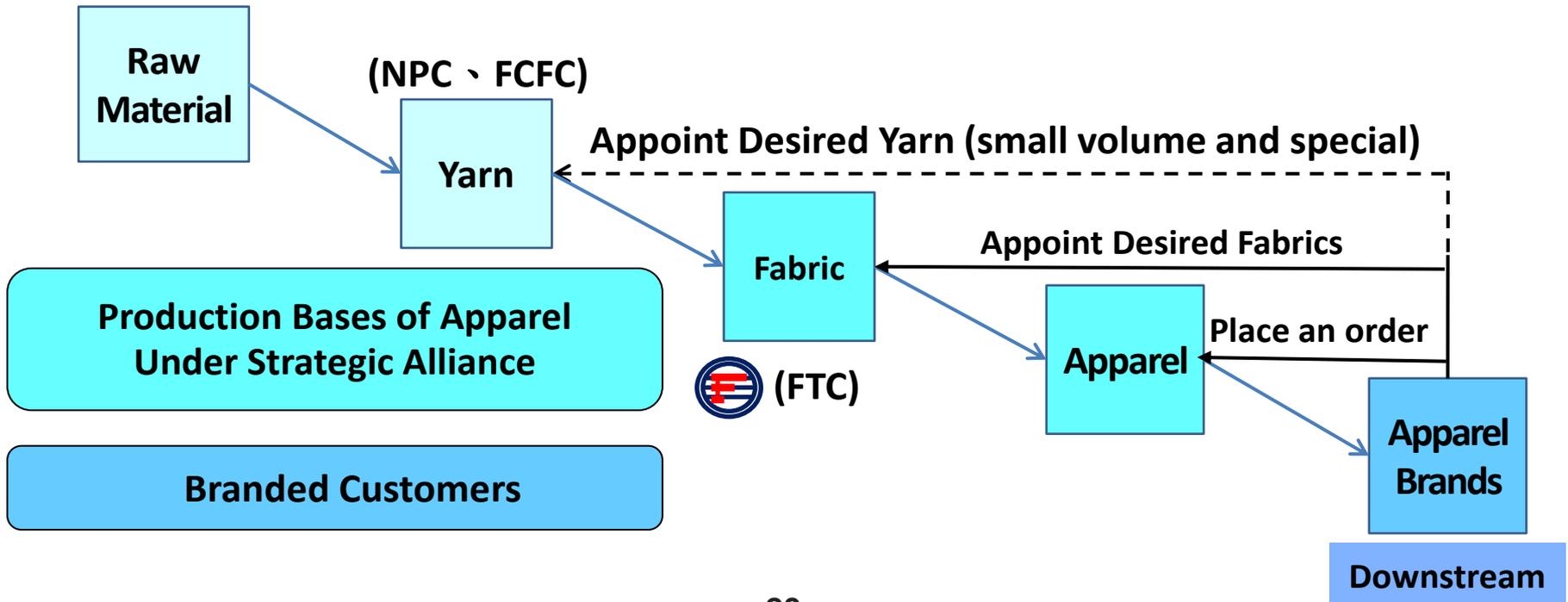
- 1) fabrics for apparel firms' production
- 2) yarn that is special and in small volume



The downstream drive the upstream to collaboratively develop branded customers.

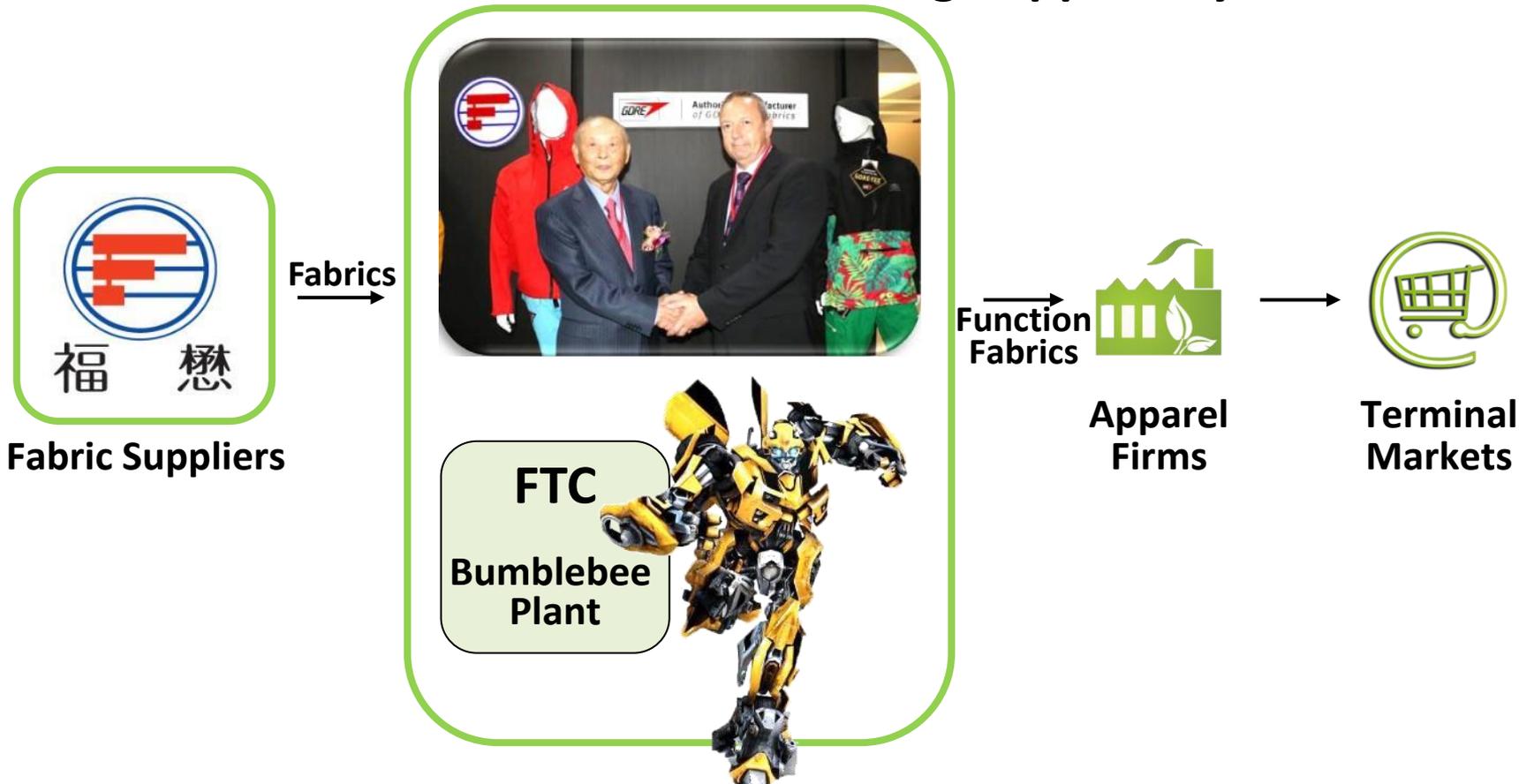
- 1) The upstream can fully understand the end customers' needs to catch/lead the trend.
- 2) FTC can provide better integrated service.

**Upstream**



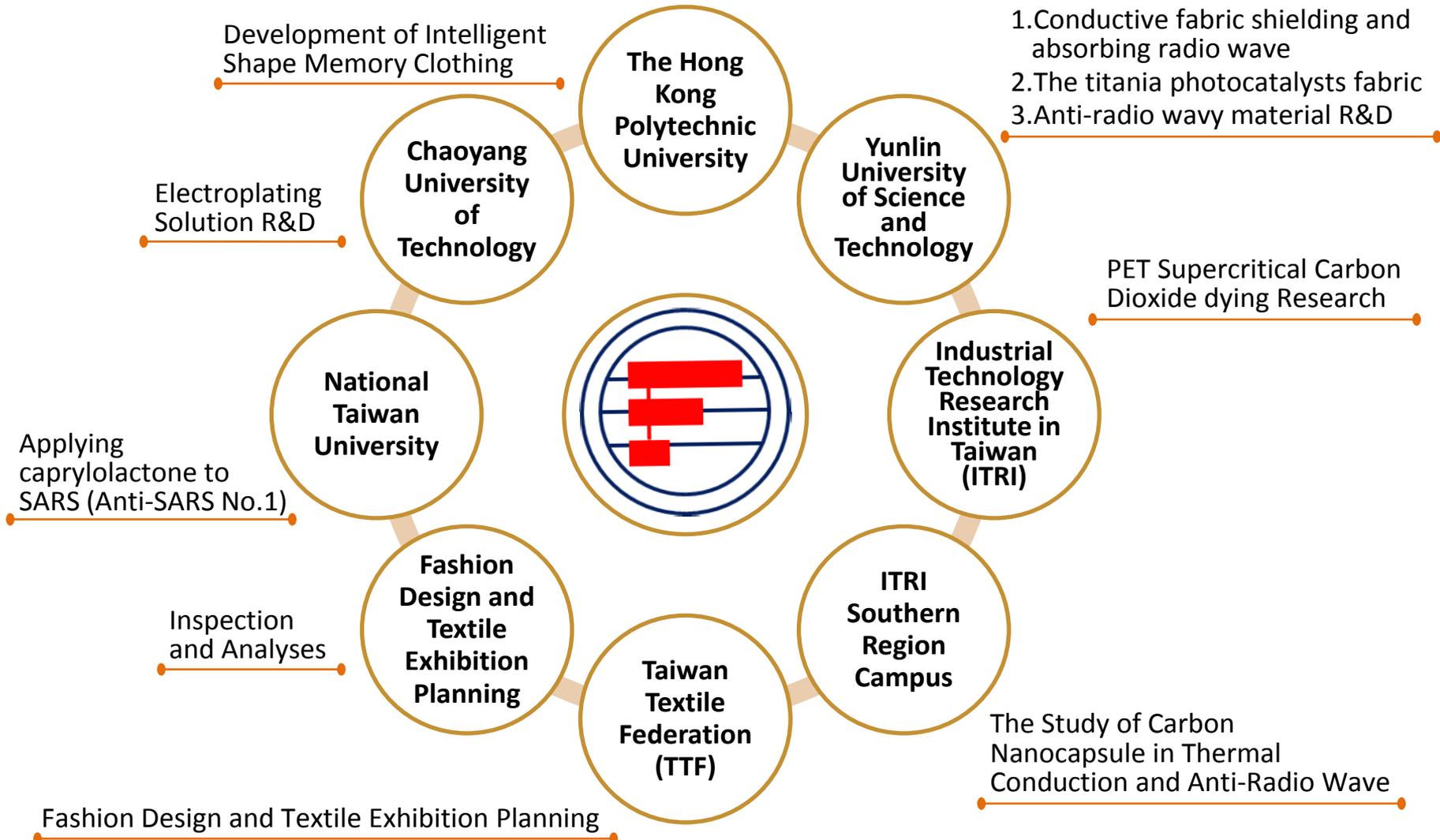
## Strategic Alliance between FTC and GORE

**FTC is selected as  
the Global 1<sup>st</sup> Lamination Finishing Supplier by GORE**



# R & D Innovation

## \_External Associations Participation





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## R & D Innovation\_Cross-Industry Cooperation Research and Development

### Intelligent Temperature Control Clothing



(Holding a product press conference on  
15<sup>th</sup> of December in 2017)

Intelligent  
Temperature  
Control  
Clothing



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## R & D Innovation\_Sustainable Products

### Ocean Recycling Moisture Permeable Film

FTC weaves ocean recycled bottles yarn into fabrics and laminates the permeable film which is also made of ocean recycled bottle. It is an Omni directionally waterproof breathable fabrics.

Chemical fibers and plastic products in the ocean are broken into microplastics and eaten by marine organisms, which affects the food chain significantly. (Photo / European News Agency)



Ocean  
Recycling  
Moisture  
Permeable  
Film



## R & D Innovation\_Sustainable Products

### Lyocell Filament Fabrics -through Solvent Recycle Process

- Lyocell is an environmentally-friendly regenerated cellulose fiber with silky luster, soft touch and excellent drape.
- The high moisture regain rate of the fiber provides excellent humidity control, high moisture absorption, antistatic performance and a cooling touch.
- The oil-free and recyclable solvent is used in the spinning process, which is environmentally friendly. At the same time, due to the cellulose material, it can be decomposed by organisms.
- When it applies to the design of polyamide or polyester fiber fabrics, fabric can simultaneously have the advantages as like interwoven textile.



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## R & D Innovation\_Sustainable Products

**Solution Dye Fabric**

**Energy-saving Fabrics**

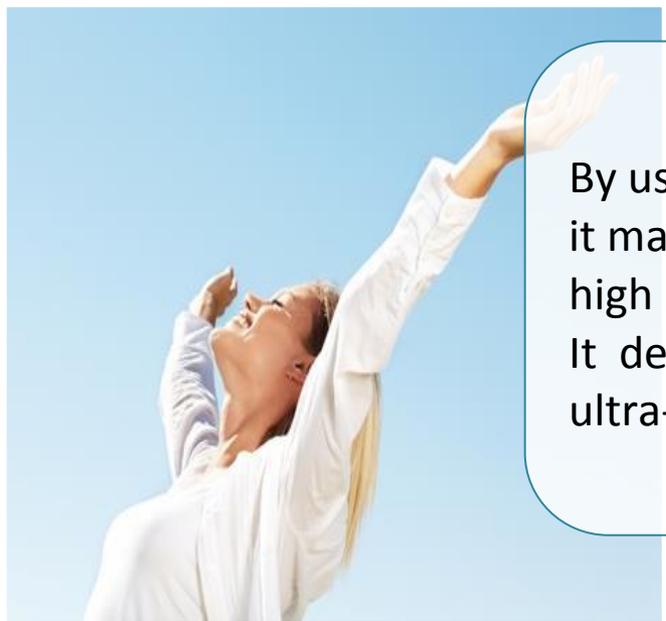


Solution  
Dye Fabric



## R & D Innovation\_Sustainable Products

### **Ultra-Cooling Feel and Breathable Fabrics**



By using woven construction design, it makes fabrics feature with high breathability and cooling materials. It develops into spring summer ultra-cooling feel and breathable fabric.

Ultra-Cooling  
Feel and  
Breathable  
Fabrics

## R & D Innovation\_Sustainable Products

**EVA  
Uniform  
Development**



**FTC's fabric development has been promoted from the sports and leisure field to the aviation industry. FTC collaborates with EVA airline on new generation of uniform with excellent stretchy and anti-static features.**

**EVA  
Uniform  
Development**



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## R & D Innovation\_Sustainable Products

**New Style  
Downproof Textile**



**New style downproof textile upgrades the downproof and warm up effect. The appearance is better with its seamless feature.**



**New Style  
Downproof  
Textile**



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## R & D Innovation\_Sustainable Products

### Complex embossed:

A shiny pattern with embossed fabrics.

(Patent NO.: I615527)

**Complex  
Embossed**

### Complex Flockxaing

### Complex flocking:

Flocking in the back and front side of fabrics with different colors.

(Patent NO.: I615529)

Complex  
Embossed  
Complex  
Flockxaing



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## International Exhibition in Shanghai

Exhibition name : shanghai INTERTEXTILE textile exhibition( international hall)  
Booth size : 192m2  
Time : 2017.10.11~2017.10.13  
Location: shanghai  
Main clients : NIKE, adidas, Lululemon, PUMA, VF etc.

Exhibition name : shanghai INTERTEXTILE textile exhibition (domestic hall)  
Booth size : 120m2  
Time : 2017.10.11~2017.10.13  
Location: shanghai  
Main clients : NIKE, adidas, Lululemon, PUMA, VF etc.



## International Exhibition in Germany

Exhibition name : OUTDOOR 2017

Booth size : 54m<sup>2</sup>

Time : 2017.06.18~2017.06.21

Location: Friedrichshafen, Germany

Main clients : adidas, The North Face, VF Group,  
ARC'TERYX, MAMMUT, Haglöfs,  
VAUDE, TENUA, MONTURA

Exhibition name : ISPO Winter 2018

Booth size : 54m<sup>2</sup>

Time : 2018.01.28~2018.01.31

Location: Munich, Germany

Main clients : adidas, AIGLE, PUMA, C&A, Canada Goose,  
Desigual, Eddie Bauer, Gore, H&M,  
Haglofs, Jack Wolfskin, Lululemon and etc.



## International Exhibition in USA

Exhibition name : OR Summer 2017

Booth size : 80m<sup>2</sup>

Time : 2017.07.26~2017.07.29

Location : Salt lake city, USA

Main clients : 62 important clients visited our booth such as TNF 、 GORE 、 REI 、 adidas 、 UA 、 Sitka etc.

Exhibition name : OR Winter 2018

Booth size : 54m<sup>2</sup>

Time : 2018.01.25~2018.01.28

Location: City and County of Denver,USA

Main clients : TNF 、 adidas 、 Reebok 、 Marmot 、 UA 、 Mountain Hard Wear 、 Gore etc.



# Green Sustainability

## Certification Items

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

GOTS Organic Cotton Certification

OE Organic Cotton Certification

GRS Polyester Recycle Standards

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

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

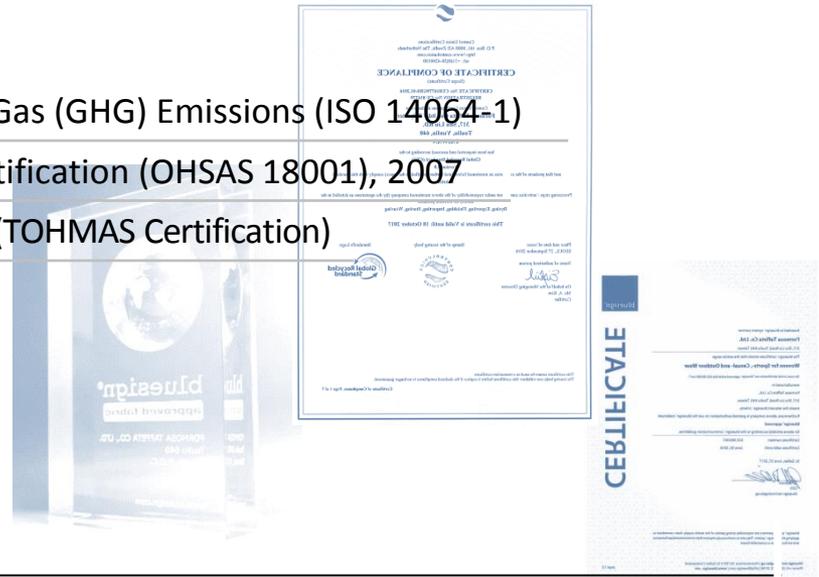
Taiwan Occupational Safety and Health Management System (TOHMAS Certification)

Environmental Management System	(ISO 14001:2015 )
	(ISO 14001:2004 )
Quality Management System	(ISO 9001:2015 )
	(ISO 9001:2008)

bluesign<sup>®</sup> Standard Certification

Product Carbon Footprint Certification PAS2050, 2011

Energy Management System (ISO 50001), 2011

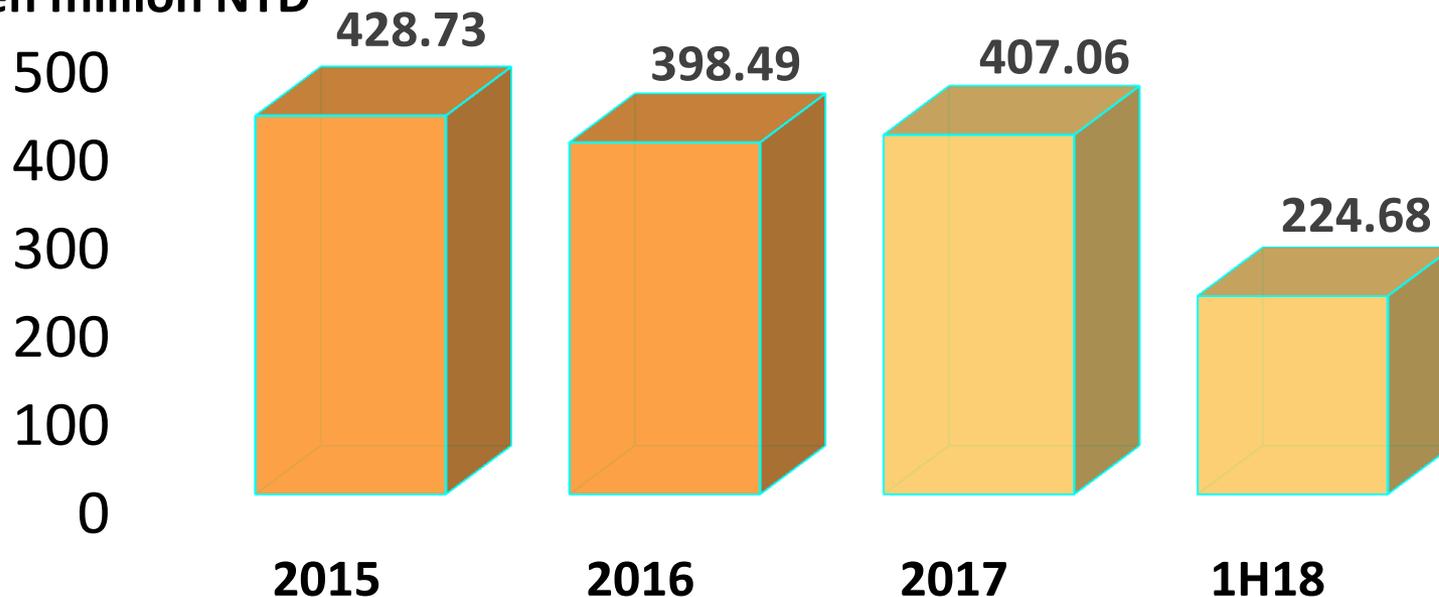


# Financial Status



## Sales Revenue in Consolidated Financial Statements

Expressed in  
ten million NTD

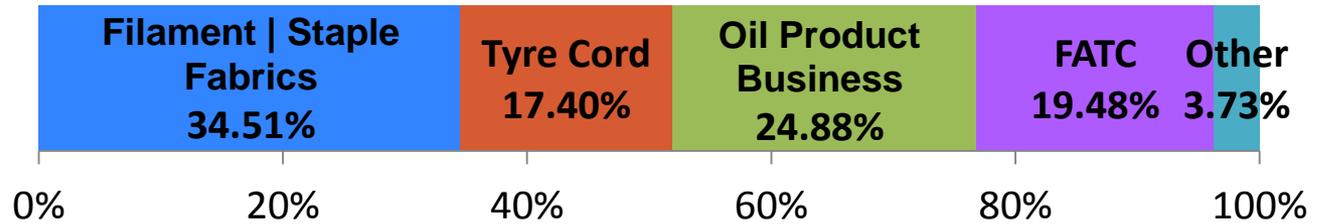


- **Reasons that sales revenue of 2017 is 2.2% more than that of 2016 are:**
1. Warmer consumption of apparel results in reduction of branded customers' stock; this brings about gradual recovery of sport branded customers' purchasing momentum, which further makes sales revenue to grow and the one of 2018 promising.
  2. Higher crude oil price per barrel in 2017 (compared to that in 2016) pulls up retail prices of oil, which turns in growth of sales revenue.



## Structure of Sales Revenue \_ by Business

**Sales Revenue of the  
1<sup>st</sup> half year of 2017  
NT\$ 21.10 billion**



**Sales Revenue of the  
1<sup>st</sup> half year of 2018  
NT\$ 22.47 billion**



1H17 Revenue vs. 1H18 Revenue						Expressed in thousands of NTD
Period	Filament   Staple Fabrics	Tyre Cord	Oil Product Business	FATC	Other	
1H17	7,280,731	3,672,170	5,249,936	4,110,012	787,317	
1H18	7,722,775	3,659,007	5,872,819	4,275,071	938,009	

■ **Sales revenue of 1<sup>st</sup> half year of 2018 (NT\$ 22.47billion) is 6.5% higher than that of 2017 (NT\$ 21.10 billion).**

1. Sport/outdoor branded customers has recovered their autumn winter purchasing momentum because of continuously and slightly upward consumption of apparel in 2018 and stable trends of raw materials and exchange rate.
2. Sales volume and retail price of gasoline and diesel results in the increase of sales revenue.

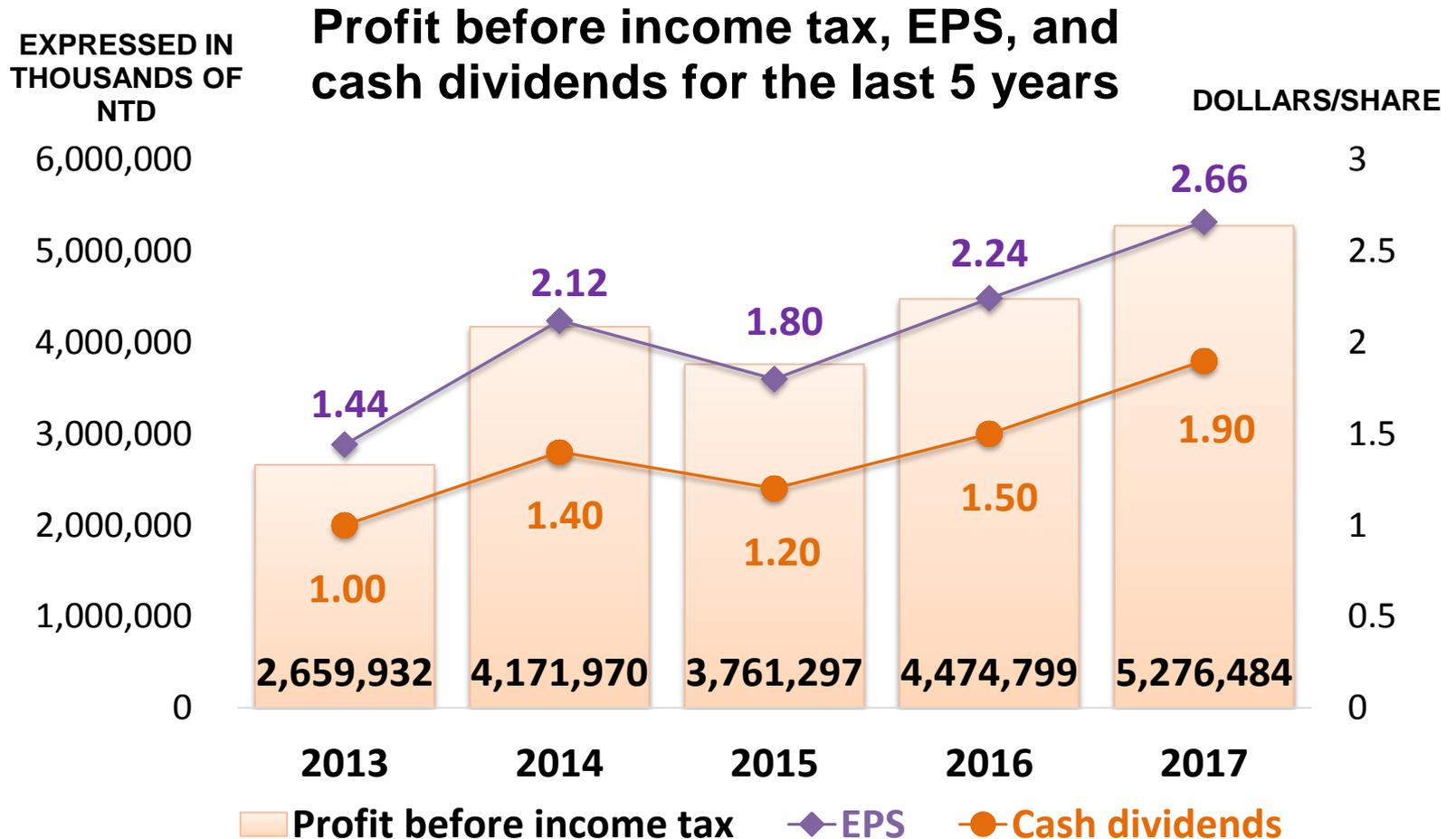
## Consolidated Statements of Comprehensive Income

Expressed in thousands of NTD

	1H18	1H17	Semi-annual growth rate	2Q18	1Q18	Seasonal growth rate
<b>Sales revenue</b>	22,467,681	21,100,166	<b>6.5%</b>	11,737,258	10,730,423	<b>9.4%</b>
<b>Gross operating margin</b>	2,861,080	2,680,931	<b>6.7%</b>	1,569,841	1,291,239	<b>21.6%</b>
<b>Net margin</b>	12.7%	12.7%		13.4%	12.0%	
<b>Net operating margin</b>	1,473,116	1,356,700	<b>8.6%</b>	843,333	629,783	<b>33.9%</b>
<b>Rate of net operating margin</b>	6.6%	6.4%		7.2%	5.9%	
<b>Total non-operating income and expenses</b>	1,037,612	2,241,924	<b>-53.7%</b>	1,114,484	(76,872)	—
<b>Profit before income tax</b>	2,510,728	3,598,624	<b>-30.2%</b>	1,957,817	552,911	<b>254.1%</b>
<b>Profit for the year</b>	1,790,503	3,274,742	<b>-45.3%</b>	1,408,586	381,917	<b>268.8%</b>
<b>Rate of profit for the year</b>	8.0%	15.5%		12.0%	3.6%	
<b>Basic and diluted EPS before income tax (in dollars)</b>	1.49	2.14	<b>-30.4%</b>	1.16	0.33	<b>251.5%</b>



## Stable Profitability and Dividends Distribution



# Operation Orientation

# Operation Orientation

## ● Strengthening R&D and techniques

Continuously obtaining branded customers' recognition

- adidas considers FTC a Top Player of its suppliers
- Nike recognizes FTC's eco-friendly products

**Cooperation with Branded Customers**

**Cross-industry Intelligent R&D**

Development of innovative textiles through application of technology and cross-field collaboration

**Promotion of added value and differentiation of products**

**Deepen the value of taking quality as the core by strengthening techniques**

Designing function- and eco-oriented products

Homogenization of product quality of 5 Plants in 3 countries

# Operation Orientation

- To take advantage of geographic synergies of 3 Plants in 5 countries

## China

Deep cultivation of its domestic market

## Taiwan

Logistics Platform  
R&D Center  
Operations Center

## Vietnam

The Global Textile Industry Cluster  
\_ Benefits of Local-to-local Supply Chain

### Capacity after Expansion

Plant	Expanded/ increased items	Annual capacity after expansion
Long-an	D&F plants	8.52 million yards
	Tyre cord plants	25,800 tons
Dong-nai	Weaving machines	10.20 million yards
	D&F plants	5.40 million yards



## Operation Orientation

- To take the social corporate responsibility and emphasize environmental protection and sustainable development

➤ Completed conservation projects in 2017\_Taiwan Plant

Conserved Steam (MT/HR)	Conserved Water (MT/Day)	Conserved Electricity (KW)	Conserved Fuel (KG/HR)	Reduced Emissions of CO <sub>2</sub> (Tons/Year)	Accumulated Amount (Thousands of NTD/Year)	Investment Amount (Thousands of NTD)
1.06	3,988.2	587.19	82.24	9,260.89	30,412.58	45,336.3

- Ongoing effluent recycling projects of 5 Plants in 3 countries in 2018:
1. Invested amount: NT\$ 237.56 million
  2. Anticipated recycling rate: 65~70%
  3. Anticipated date for all effluent recycling projects: March 2019

Q & A